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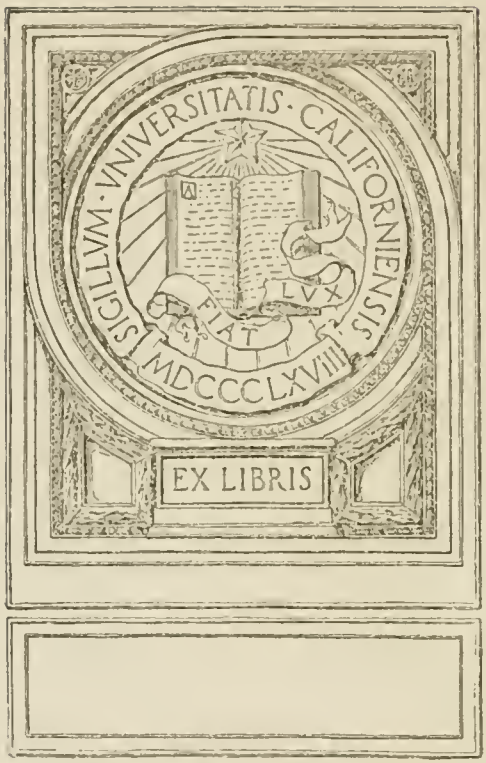
BOOKKEEPING AND BUSINESS MANAGEMENT

F. W. RISQUE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Risque's Bookkeeping

and

Business Management

A complete guide to modern practice written so any one may understand it and with 70 forms filled in to show how the actual entries are made. Tells how to select a set of books to fit any business and explains how to open them, make all necessary entries, and close them. The reasons why are given in all cases. Good for individuals, partnerships, or corporations. Gives special attention to financial statements for creditors, trade acceptances, mercantile agency work, stock and purchase records, cost and price books, want books, etc.

BY

F. W. RISQUE

NEW YORK

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Foreword

THE average retail merchant with his many duties, especially the buying and selling of his merchandise, is very apt to overlook the importance of keeping proper books of account, without which it is impossible for him to know with any degree of certainty his financial condition.

The present regulations, and those that will probably follow by the government, will make it necessary for every merchant to keep his books in proper form, not only to be prepared to make correct reports to the government, but also to figure up his own taxes, etc.

If a merchant keeps the proper books he should be able at all times to know the amount of his purchases, consequently avoid overtrading and thereby running into debt. He would also have brought to his notice the accumulation of old stock on his shelves, which should be converted into money before the goods are completely out of date or useless. The proper way to figure on the selling price of merchandise is explained in detail in this book, and should be familiar to every merchant.

There is an old saying that goods well bought are half sold, and it might be added that if the proper selling price is put on the goods it will insure a reasonable profit on the transaction, and without this profit no business can be successful.

Mr. Risque has shown in a very convincing way just how the best results may be obtained by the retail merchant in the all-important matter of keeping proper books of account. I am hopeful that this book will be in the hands of a large number of retail merchants, as I am sure if they are guided by the rules laid down by the Author they will meet with a full measure of success in their business.

Geo. R. Barclay

Feb., 1920.

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Preface

Several years ago, a few public-spirited business men met in one of our large eastern cities to discuss plans for more uniform practices and better methods in general business.

Among the questions discussed was the indifference to any proper system of bookkeeping by so many of the smaller, and in some cases, by even the more important concerns.

These gentlemen stated that their own long and varied experience confirmed the published statistics showing the high percentage of failures due directly to that cause.

It was proposed to formulate a simple and short — though complete system as applicable for suggestion in such cases, which might remedy this, and a request was made to prepare it. After due consideration of the varying businesses and the capital employed, it was decided that no one such plan would suit all.

A short time ago another request came from one of our most prominent trade journals of almost the identical scope, but like the former was regretfully declined.

During a long and tedious convalescence of the past months, that same question kept recurring and demanding solution, and was only stilled by laying out the following programme:

"A" Prepare a sound foundation of elementary examples in simple and perhaps homely language, that would suit the least experienced, these to then be put in proper form on the pages of a small set of books;

"B" Prepare a succeeding and more advanced set;

"C" Using the same transactions as set "B," with same persons, same goods and amounts, arranged in a set to suit a business with several departments, exemplifying Department Books.

The main idea was to make the steps simple, easy and gradual, from the opening of the first set to the close of the last, with explanations of the why and the how.

The transactions of sets 2 and 3 are shown in diary form, pages 76 and 117 to 82 and 124, which are then entered up in detail on the Cash

Book, Sales Book, Journal, etc., etc., and posted to the several ledger accounts, just as is done by a bookkeeper.

These forms or books (Figs.) are all shown, Set 1 — after page 26,
" 2 — " " 89,
" 3 — " " 125,
and a list or index of them for quick reference is on pages at the back.

The cross-index of subjects is arranged with the same object in view as that of our well-known Missouri coon trap — to catch the subjects coming and going.

The system outlined may be adapted to any other mercantile or to a manufacturing business, with such slight changes as may be necessary to suit its nature or the conditions.

Some principles in Dicksee's Auditing, American Edition, edited by Robert H. Montgomery, and definitions in Pittman's Dictionary of Bookkeeping by R. J. Porters have been so well and clearly expressed that they have been quoted, as shown by the foot notes.

How well the plan, which we hope may meet his commendation, has been worked out must be determined by each reader.

F. W. R.

St. Louis, 1922.

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60	...	152	Ledger Acct. Capital Stock

ERRATA

P. 32, 18th and 19th line transposed.
P. 64, 3rd line. "A & B" should be eliminated.
P. 64, 4th line. Page 74 should read Page 94.
P. 70, 3rd line. 257 should read 25.
P. 74, 4th line duplicated in line 5.
P. 74, 4th line. Fig. 170 should read Fig. 55.
P. 74, 5th line should be eliminated.
P. 75, 15th line. Delete (Figs. 18A to 18G).
P. 75, 15th line. Change 16 to 76.
P. 87, bottom line. Change 96 to 99.
P. 136, 5th line. Page 93 should read 126.
P. 136, 7th line. Page 93 should read 126.
P. 136, 24th line. Fig. 28 should read 38A.
P. 156, 13th line. Change 45 to 37.
P. 188, 22nd line. Change "receiver" to read "receive."

CHAPTER I

Simple Accounting for Retail Stores

DO you know how much you owe and how much you have, with which to pay it?

Can you tell how much you have made, and what branch of your business is profitable? Or, if any department is losing money, and if so, which?

Could you make an intelligent report to your bank, or a Mercantile Agency?

If you can do all these, to your satisfaction, you may not wish to read this, but, if you have no system, and rely largely upon your memory for details, as so many do, you must not be surprised that an examination will disclose many leaks; many debts due you, overlooked or forgotten, petty losses which would surprise you, and explain restricted growth of your business — all for want of a simple, clear, common-sense method, which anyone with ordinary ability can master.

Investigate the Question

Is the question worth investigating, before deciding that the old method is good enough, and that you do need light, further light, and more light, upon how the successful merchant is able so easily to manage his large and growing business?

Where to commence is always a difficult question, but, to start at the bottom and take for granted that many know nothing about bookkeeping, though you might find much of it an old, old story, is but fair.

Some years ago, the writer had a class in bookkeeping, at one of our settlement houses where all service is gratuitous— the scholars — mechanics, apprentices, sons and daughters of small shopkeepers, all without even an elementary knowledge of the subject, yet at the close of the winter's course, of one evening a week, over ninety per cent. had been able to carry on business on paper and show me a correct balance sheet.

This statement is made simply to give hope to even the most discouraged reader, and as the beginning was very elementary with them, so it will be with you, and the only apology necessary for our more advanced read-

ers is that we must begin somewhere, and, if they wish, they can skip the balance of this section, which uses very homely examples.

Debit and Credit

Let us try a very simple experiment, in theory only.

The Game

Suppose we take a number of small boxes, say cigar boxes without tops, put a partition in the center of every box so that each will have two compartments, and mark with chalk Dr. (abbreviated for debit) on all left-hand compartments or sides, and Cr. (abbreviated for credit) on all right-hand sides.

Tack these boxes to three sides of the room — one group for customers who buy from you, one for jobbers or dealers from whom you buy, and one for general or other accounts.

Label these boxes as explained hereafter, just as a bookkeeper would head the different pages of his ledger.

We will, for convenience, call you John Wilson, and with this imaginary outfit, and a few slips of blank paper, you can play the game.

You have $1,000.00 cash to begin with, have chosen your location, and ordered your opening stock.

Debit and Credit

First, label one box " CASH "— make out a slip, say, " Received $1,000.00 cash from John Wilson," and put this slip in the debit side of that box, as all slips placed in the debit side of this box show amounts due you *by* this box, call it Mr. Cashier, or, Cash, and any slips in the Credit side would be due you for money paid out.

You *debit* or *charge* to anyone or to any account, what you pay out, or part with, and, *Credit* to anyone or any account the amount *paid* to, or received by you.

You had $1,000.00 and put it in the business, or Cash drawer, or bank, to be used for the business, hence, as you paid it to the concern, Cash account owes it to you, John Wilson, and cash is debited with it.

You label another box " John Wilson " and make out a slip " Paid in $1,000.00 " and put that slip in the *Credit* side of box John Wilson.

This stands Cash owes $1,000.00 and John Wilson has $1,000.00 Credit or due him by the store.

You have put up shelves which cost $20.00, bought scales for $10.00, and office furniture, desks, chairs, etc., $20.00, and paid for same out of the cash.

As these are under the head of "*Furniture and Fixtures,*" you label one box with that title, and put in these bills, or, make out slips as follows:

Paid cash for shelves	$20.00
" " " scales	10.00
" " " office furniture	20.00

and put in the *Debit* side as you gave them to the business.

Make out slips similarly and put these copies in the *Credit* side of box labeled "Cash," because you have *received* the total $50.00 cash for these three bills, and paid out to the parties from whom you received the articles, hence credit cash.

Why is a Memo Kept of Cash Paid?

You could have taken out of the cash box the $50.00, and paid for these, without noting the fact, and your balance of $950.00 would be in the cash box, but, later you could not trace up where the cash went, though you could by following the plan outlined.

If your rent is payable monthly, in advance, you pay your landlord, say, $30.00 for one month's rent, ending Oct. 31st, and put his receipted bill, or a slip, in the *Debit* side of Expense box, and a similar slip in the *Credit* side of Cash, because you *received* the cash and *paid* it out for expense.

John Brown was engaged as clerk at $9.00 per week, and at the end of the first week he is paid his salary, and slips made out "paid Brown wages for week ending Oct. 7th, $9.00."

One is put in the *Credit* side of Cash, for you received that amount from the Cash box, and the copy is put in the *Debit* side of Expense box, for you paid it for wages which, for the present, we call expense.

Merchandise Different from Sales

For convenience, we call goods bought and expenses of putting them in the store, Merchandise — some use the term "Stock," some the term "Purchases," and, any part sold, we call "Sales," as it keeps the two accounts well defined, and, in large houses, serves many purposes for calculation.

Receiving Goods

The goods bought begin to arrive, are checked off and so noted on the bill of the jobber, after they have been compared with memo of sale left with you by the traveling salesmen, and when found correct, they are ready for the boxes.

These invoices or bills are then placed in the *Credit* side of boxes labeled each for its particular house, as follows:

Invoice Oct. 1,	National Hardware Company,	$59.50,	received	Oct.	4
" " 2,	Carleton Dry Goods Co.,	100.50,	"	"	4
" " 1,	Goddard Grocery Company,	545.00,	"	"	2
" " 1,	Brown Shoe Company,	250.00,	"	"	3
" " 2,	Gauss Hat Company,	95.00,	"	"	3

and slips of same put in *Debit* side of Merchandise box.

For you received these goods from these dealers, consequently, they should be *credited* with them,— you delivered the goods to stock, or, Merchandise, hence, merchandise owes, or must be *debited* with these amounts.

Freight Charged to Merchandise Account

Freight is paid on these shipments amounting to $15.00. Slips made out " Freight on goods " (specifying particulars) and placed in *Debit* side of merchandise for that is an additional amount given for merchandise, and copy of this slip put in *Credit* side of Cash, for you *received* from Cash box the money to pay for freight, hence credit Cash.

Personal Expenses

You used money for household, or, personal expenses, then make out a ticket " Oct. 4 received cash on account John Wilson, $20.00." Place a copy of this in the *Credit* side of Cash, because you received it from the cash box and place the other ticket in the *Debit* side of the box "John Wilson," because $20.00 was paid John Wilson.

Cash Sales

The money received from Cash Sales amounting to $252.50 was in slips put in the cash drawer each night, and slips for the same amount put in *Debit* side of Cash, because this amount was given Cash box and as that sum received from sales slips or tickets for that amount, are put in *Credit* side of Sales box.

Goods Sold on Credit

Goods are sold on credit, or, open account, as listed below, and a slip for each bill is put in *Debit* side of the proper account, say:

Wm. Cox,	sold	and	delivered	goods,	10/5,	$87.50
Geo. Allen,	"	"	"	"	10/5,	48.80
Frank Welsh,	"	"	"	"	10/6,	74.00
Henry Moore,	"	"	"	"	10/6,	67.20

because the goods were given or delivered to these customers, and similar

CONTENTS OF BOXES & BALANCES

	Slips Found in Debit Side	Slips Found in Credit Side	Differences Being Debit Bal'c's	Differences Being Credit Bal'c's
John Wilson	20 00	1000 00		980 00
Cash - Rec'd from John Wilson	1000 00			
" " Cash sales	292 50			
Paid out for Shelving		20 00		
" " " Scale		10 00		
" " " furniture &c		20 00		
" " " wages		9 00		
" " & Wilson on acc't		20 00		
" " for freight		15 00		
" " rent		30 00		
	1292 50	1244 00	1168 50	
Furniture & Fixtures				
paid for Shelving	20 00			
" " Scale	10 00			
" " desks chairs &c	20 00		50 00	
Expense a/c				
Brown wages paid	9 00			
Rent for October	30 00		39 00	
Merchandise				
Nail Hardware Co. Invoice 10/4	59 50			
Carleton Dry Goods Co " 10/4	100 50			
Goddard Gro. Co " 10/2	545 00			
Brown Shoe Co " 10/3	250 00			
Gau Langenbg Hats " 10/3	95 00			
Freight paid on Mdse	15 00		1065 00	
Sales - Wm Cox our bill 10/5		87 50		
Geo Allen " " 10/5		48 80		
Frank Welsh " " 10/6		74 00		
Henry Moore " " 10/6		67 20		
Cash sales		292 50		570 00
Accounts Payable				
Nail Hardware Co. their bill 10/4		59 50		59 50
Carleton Dry Goods Co " " 10/4		100 50		100 50
Goddard Gro. Co " " 10/2		545 00		545 00
Brown Shoe Co " " 10/3		250 00		250 00
Gau Langenbg Hats " " 10/3		95 00		95 00
Accounts Receivable				
Wm Cox our bill 10/5	87 50		87 50	
Geo Allen " 10/5	48 80		48 80	
Frank Welsh " 10/6	74 00		74 00	
Henry Moore " 10/6	67 20		67 20	
Total tickets in boxes	2744 00	2744 00		
Total balances			2600 00	2600 00

FIG. 1 — Trial Balance

slips placed in the *Credit* side of box labeled "Sales," because Sales gave up the goods.

If you examined the boxes, you would find them to contain slips, in some cases, in both Debit and Credit compartments, and, by subtracting

the smaller amounts from the larger, in each box, you see the balance, and whether it is a credit (due *by* you) or a debit (due *to* you).

Trial Balance

Let us see how the boxes stand: (Fig. 1.)

Accounts Payable

We group bills owing by the store and unpaid, which in this case are for purchases from jobbers, under the head "*Accounts Payable.*" And,

Accounts Receivable

Bills due the store and unpaid, which in this case are for goods sold customers under the heading, "*Accounts Receivable.*"

Questions

It may be advisable, after reading the foregoing, and without again referring to the text for answers, to write out your understanding, or replies to the following:

If you *received* money, or, other property, would you *debit* or *credit* the person, or, account from whom received? Why?

If you pay money, or turn over other property to or for any one, would you *debit* or *credit* that account? Why?

If you receive goods from another, why put the amount in Merchandise account, and, is it a *debit* or *credit?*

If you turn over, deliver, or sell goods to another, why put the amount in sales account, and, is it a *debit* or *credit?*

What account do you use for goods sold?

What account for goods bought?

Why do we charge cash paid to one of the clerks, or, to John Wilson as head of the business?

Why do we credit Cash with amounts paid out?

In the next chapter we will discard the boxes and enter the same transactions in proper books of account, describing the functions and relation of each book to the others in the set.

Later, through gradual steps we may arrive at a comprehensive and detailed system, suitable for a more extensive business.

CHAPTER II

Books Required

WE will now discard the boxes described in the preceding chapter, replacing them with a ledger.

Instead of using slips for each transaction, to be listed, and added, later, the entries are written each on its special ledger page, which is ruled to suit that purpose.

Heavy lines divide the ruling for debit entries, on the left, from the ruling for credit entries on the right side of the page.

The debit amounts being, one under another, in each account, in one column, are added or footed in pencil, the credits likewise, which shows at a glance totals of each side of an account.

The balance can be easily and simply found by deducting the smaller from the larger amounts and placing this difference in the proper " balance " column, as the following ledger account of Wm. Cox:
Which shows, that,

You sold Cox a bill on Oct. 5th of $87.50, posted from Sales Book, page 3, to Debit of his account in ledger.

He paid cash on account Oct. 9th of $50.00, posted from Cash Book, page 1, to Credit of his account in ledger.

Leaving a balance, unpaid, of $37.50 as shown in the " *Debit Balance* " column.

The ordinary ledger has no columns for balance, and, when used, the debit and credit columns are added in pencil, and the balance figured put in pencil inside the space to the left of the amount column.

Before describing the books in which you make the original entries, it may be well to describe the ledger, its functions, and uses.

Ledger

The ledger is ruled with heavy lines, down the center of the page, and ruling for *debit* entries, or charges, on the *left*-hand part of page, and for *credit* entries on the *right*-hand part, and, sometimes has two columns, one each side for debit or credit balance.

The usual headings, if printed, are as (Fig. 2A).

Opening an Account

Thus, if Wm. Cox bought a bill of goods on Oct. 5th, $87.50, his first bill from you, you open the ledger in space reserved for customers, head the page with his name and address, and, on debit side, write in the proper columns — date of bill, description of sale, to show that the charge or debit is for goods bought, and the page of the sales book from which you take your figures, and amount of bill.

Spacing the Ledger

It is usual to reserve first 30 pages of a small ledger for general or representative accounts, such as Merchandise, Sales, Cash, Expense, the personal account of the proprietor, or, partners, etc.

NAME William Cox - 197 main St Oldham, Mo 96

DATE			Fol	DEBIT		DATE			Fol	CREDIT	
Oct	5	Sales 37.50	S.3	87	50	Oct	9	Cash	1	50	00

Fig. 2A — Usual Form Ledger Ruling

NAME William Cox 96
ADDRESS 197 Main St Oldham, Mo

DATE			Fol	DEBIT		DR BAL		DATE			Fol	CREDIT		CR BAL	
Oct	5	Sales	S.3	87	50	37	50	Oct	9	Cash	1	50	00		

Fig. 2B

Accounts Payable

The next 30 or 40 pages for "*Accounts Payable*" or, firms from whom you buy, and, styled so, because we usually owe these firms for goods bought; hence, they must be paid, or, are payable, being creditors.

Accounts Receivable

The other pages, back of Accounts Payable or Creditors' space, we reserve for customers' accounts, and, when we refer to this class of accounts we say: "Accounts Receivable," because they owe us, and we expect some day to receive the several amounts owing by them. They are also styled "Debtors."

The books for keeping the accounts, say, of a business having a capital of $1,000.00, may be very simple, and the classification of expenses

be dispensed with, though should any particular class of expense need investigation, the items could easily be picked out from the cash book, and lists made for comparison.

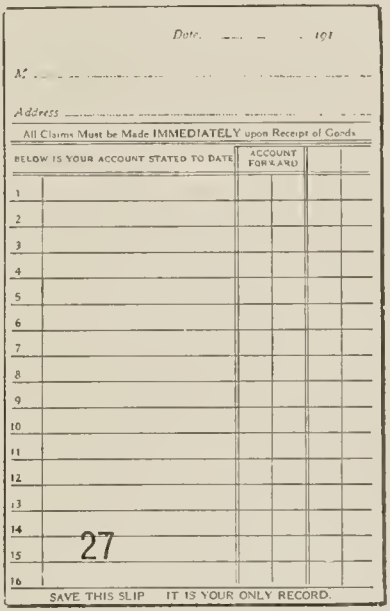
Let us presume that you, Mr. John Wilson, pay all minor expenses promptly; that purchases of stock are paid for at maturity of those bills, and, also, that your sales, both for Cash and Credit, or, open account, are properly recorded.

Cash Sales

You may use a " Cash Register " to record Cash Sales, in which event you count the contents of the register drawer, and, after deducting the amount on hand to start the day with, compare cash with the record of the register.

Sales Tickets

If you use sales tickets, each clerk is supplied with his particular pad, having his number on each ticket, for identification. These tickets are in duplicate for carbon copies. When sale is made, he itemizes the articles, prices and amounts, and if deemed best, the name and address of purchaser, also noting on the ticket the amount received, if not agreeing with the sum of the sale, that there be no misunderstanding when change is returned; he puts amount received in the Cash Drawer, hands customer the carbon copy with the purchase, and places the original ticket either in a special compartment of the Cash Drawer, or some other safe place agreed upon.


Date. 191

M.

Address

All Claims Must be Made IMMEDIATELY upon Receipt of Goods

BELOW IS YOUR ACCOUNT STATED TO DATE | ACCOUNT FORWARD

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16

27

SAVE THIS SLIP IT IS YOUR ONLY RECORD.

Fig. 3A — Sales Ticket

Counting Cash

At close of business these tickets are listed and totaled, and cash in drawer counted, to check agreement with amount sold. The *amount* of day's cash sales is then entered on *Cash Book.*

Unbusinesslike Cash Drawer

A very unbusinesslike method which is so often carried out, is to have a general cash drawer to which every one in the house has access, to deposit cash for sales made, make change for any customer, or, stranger who

requests it, possibly to pay out express or other petty charges, or even for farm produce such as eggs, butter, etc., without putting in any memorandum, on the theory that what remains in the drawer is not larger than would be there, even if a ticket for every item had been made out and put in.

The first two plans are both good, but the last, customary for so many generations, should not be allowed. It permits no check on errors in making change, nor checking what the balance amount *should be*, but rather undermines habit of accuracy, makes it impossible to fix responsibility in any particular quarter, and places temptation in the path of every clerk.

Cash Book

Every cent received, or paid out, should be accounted for and explained.

Mr. Cash

The Cash Book, which is the record of the Cash Account, is treated on the books as if it were a person (say Mr. Cash, or the Cashier), and, as all cash received, is *turned over* to Mr. Cash, he must be *debited* with the amount, for he owes it to the store until repaid. (Fig. 6, page 31.)

Similarly, as all cash paid out is taken from Mr. Cash, or the Cash drawer, he, Cash, must be *credited* with those sums.

Credit From Whom Received — Debit To Whom Paid

As you may remember, always *credit* the person or account from whom you *receive* any money, or other property; likewise, you *debit* or charge the account or person to whom you *deliver* any money or other property, and, as the cash book is the record of money disbursed by, or received from the cashier (Cash) the amounts must be credited or debited that account.

Cash Book

As the Cash Book shows what the Cashier has received and been debited with, it also shows *from whom*, or what account he received it, and each person or account *giving*, or paying, the partcular sums, must have *credit* for the same; also, when Cashier *pays out* any sum he should be credited with it and the account or person *to whom paid* should be *debited*.

Receipts

The receipts, or cash received, entered on the *left*-hand page of Cash Book, are either from " Cash Sales," or, sales which at the time are paid;
— from " Customers," or, payments for goods previously bought and charged to their account;

— from "Sundries," or, some other source, than the two mentioned above, which in this set of books we will term "Sundries."

Disbursements

The Disbursements, or, cash paid out, entered on the credit or *right*-hand page of Cash Book, are:

for Merchandise, or goods purchased for cash, and freight on same;

for Expense, or wages, rent, light, heat, taxes, insurance, etc., etc., which in a small business may all be grouped in one account called "Expense," and if at any time you need to inquire into any particular class of this account, the amounts or particulars can easily be picked out and listed;

for Sundries; or payment of cash to or for any person or account other than the two previously mentioned.

Journal. (See Fig 7A, page 34.)

The Journal is used for those entries which cannot properly be made in either the Cash Book, or Sales Book, the latter sometimes called "Sales Journal." The ruling of the Journal is very similar to the ordinary Day Book in general use.

In this set of books, we enter in the Journal, the purchases of goods bought to be paid for by us later, so we can *post to* the *credit* of those firms from whom we have bought, the proper amount due them, and, *charge* the corresponding amounts to "Merchandise."

Order Blank

When a charge customer, or one who buys now, but expects to pay

OAKVILLE . . . . . 19. . .

MR. . . . . SALESMAN . . . . . .

SEND BY . . . . . .

ADDRESS . . . . . .

BOUGHT OF JOHN WILSON TERMS . . . . . .

DEALER IN GENERAL MERCHANDISE

QUANTITY	ARTICLES		PRICE	AMOUNT	

FIG. 3B — Order Blank

some time later, is sold, you take a block of order blanks, always using a carbon under the first sheet.

There are many excellent forms, but a simple one is here suggested:

Making Out Sales Tickets

Plainly write the customer's name and address, and your name or initials in space for " Salesmen; " list the articles bought, and quantity, put in prices, make extension and foot the amount, get particulars of how and where delivery is to be made, and then send to office the two copies for approval of credit. When approved, have the goods gotten out, check items on bill as wrapped, and send goods with carbon copy to proper address, forwarding original copy to the office for entry in Sales Book.

If preferred, you can use your regular Cash Sales ticket or check (Fig. 3A, page 17), which you have for Cash Sales, by writing across the top " CHARGE," to distinguish from Cash Sales, though a separate and distinctive form is usually preferred. (Fig. 3B.)

When a charge sale — or sale of goods which is to be paid for at a future date, is made, some merchants use one of the Cash Sales tickets for describing the sale and file this ticket to come up for attention or collection later.

Some use a case with subdivisions or pigeon-holes lettered from A to Z, others use a pouch or box-file with lettered compartments.

These charge sale tickets are each placed in its proper compartment, all A's in the A space, B, C, D, etc., also in their compartments, each having the first letter of the respective customer's surname. All the tickets of any one may be found, together with all tickets of other customers having names beginning with that letter or initial.

At the end of the month the tickets of each customer are arranged in the order of date bought and on the back of the last ticket, listed by date and amount and the total then added.

When all are so totaled they are listed in an ordinary Day-book and these amounts totaled, showing the amount of all charge sales. The amount of each customer is posted to his debit in his ledger account and the total of all of these bills credited to Merchandise or Sales Account.

There are many variations of this system, each advocated by the manufacturer of sales tickets, who advises his own special method. Several large concerns have introduced a system using, for each charge customer, one block or set of tickets — beginning each with any balance owing by the several customers, and furnish a case of pigeon-holes, one for each customer or with lettered compartments — one for each letter of the alphabet.

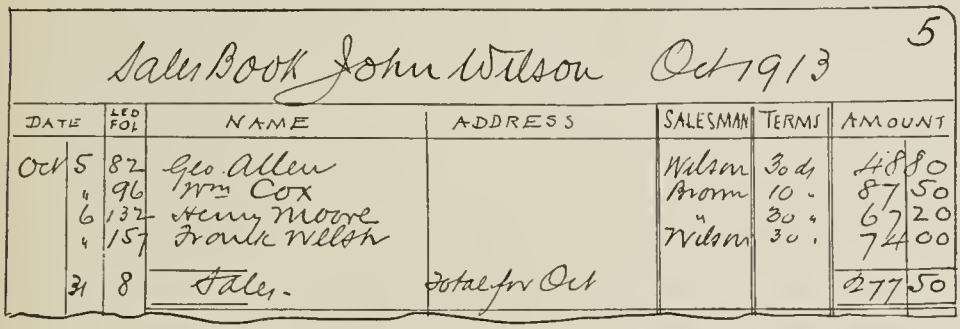
When a customer buys (see Fig. 3A, page 17), he sees on the first line of his ticket the balance, if any, he now owes and to this amount is added the sale just made, the total being amount unpaid to date.

The original ticket is handed the customer, the duplicate remaining in the book or pad.

This new total is then carried to the first line of the next set of blanks or tickets, ready to be added to the next bill bought, as a total.

If the cash is paid on account, it is noted on the ticket and deducted from the unpaid total and a new balance brought down. Thus you have at all times the balance or amount due by each customer and the customer also sees on each ticket of purchase the amount owing to and including that date. At the end of the month the total amount of goods bought by each customer as shown by the tickets is charged the respective customers and the total of all their sales credited Merchandise or Sales.

The cash as paid having been credited the customers on the cash book and duly posted to their ledger accounts, the total of all customers' slips will agree with the total of all customers' ledger balances.



Sales Book John Wilson Oct 1913 5

DATE		LED FOL	NAME	ADDRESS	SALESMAN	TERMS	AMOUNT	
Oct	5	82	Geo. Allen		Wilson	30 d	48	80
	"	96	Wm Cox		Brown	10 "	87	50
	6	132	Henry Moore		"	30 "	67	20
	"	157	Frank Welsh		Wilson	30 "	74	00
	31	8	Sales.	Total for Oct			277	50

Fig. 4 — Sales Book

Some of the smaller merchants, using the last system, keep no ledger accounts with customers and depend entirely on these tickets to show all balances unpaid.

As a business grows it may be found much more satisfactory to use a regular Sales Book, and when so desired the change can at any time be easily made without disturbing the other part of your system.

The final listing of dates, amounts and names above must be made and require no more time or work to enter in a Sales Book than as above and have not the permanence or satisfaction that is furnished by a Sales Book — hence many prefer the Sales Book.

Sales Book

The Sales Book used exclusively to record sales made, may be an ordinary, but wide, Day Book, easily procurable in your neighborhood.

The Sales Book, sometimes called a " Sales Journal," may be headed as shown. (Fig. 4.)

Orders to be O.K.'d Before Filing. (Fig. 3A, page 17 or 3B, page 19.)

The orders (for goods sold), shipped or delivered, are sent to the office, and there having previously been approved or O. K.'d as to credit, are examined and checked as to price, extension and footing, and then entered in the Sales Book, giving particulars in the columns as per printed or written headings.

These Sales Entries are then ready to be posted or written up in the ledger as follows:

Posting

On the debit or left-hand side of the ledger page of this particular customer's account (for example, Geo. Allen); you enter the date of sale or charge, the page number of the sales book from which you post, the description " Sales " which shows it is Merchandise sold, and in the Debit amount column the amount of the sale or bill. (Fig. 8C.)

All the other bills are also to be posted to their respective accounts in the ledger, and at the close of day the amount column of the Sales Book added in pencil.

Sales Book Footings Carried Forward

These pencil footings of Sales Book are to be carried forward, or sales added the following day, including the pencil footings of previous day, so that the last pencil footing will show the total of the sales entered in the Sales Book up to that point, and, at the end of the month the footings are made in ink showing the total credit sales for the month. (Fig. 4.)

Sales Total Posted

The last ink footing is posted in the ledger (Fig. 8A, page 35), to the *Credit* of sales, because as sales *has given* these several amounts to the persons named, consequently, *sales* must be credited, and as the persons receiving the goods have been duly charged, and the final amount credited sales, you have accounted for both the giver and receiver.

Sales Different Account From Merchandise

Formerly, bookkeepers used only one account called Merchandise, to which they charged all purchases and which they credited with all sales, and at any time the balance was figured it was necessary to separate the debits and credits and make deductions or additions to arrive at either the total purchases, or total sales, but by having two accounts, one *Merchandise,* or Purchases, and the other, *Sales,* we can at any time tell amounts of

each for any period, how much the purchases have amounted to, or the sales, for any one or more months or years.

At the end of month you foot the cash sales (column E, Fig. 6, page 31) in the Cash Book, crediting this total, $292.50, to sales account in the ledger (Fig. 8A, page 35), which with the total sales, $277.50, from sales book (Fig. 4, page 21) shows total sales both charge and cash sales for the month $570.00.

CHAPTER III

Commencing Business

SOME time last September, old Mr. Wilson's Estate was settled. His son, John Wilson, inherited his share of the estate and determined to profit by his 8 years experience as an employe of the Clark Mercantile Co., one of the largest general merchandise establishments in his section.

Wilson had been through all the positions of minor clerk, floor salesman in several departments, assistant buyer and, in busy seasons, spent many a long evening willingly helping the bookkeeper in writing up accounts, making out monthly bills or overdue statements and, in addition to his practical experience in the stock, gradually gained a knowledge of general office work. He found a good location and soon closed the lease, beginning Oct. 1st. He hired Brown as general clerk, at $9.00 per week; attended to the altering of the shelves, bought a second-hand, but good scale, and suitable office furniture from a local dealer.

An opening stock was ordered from those traveling salesmen he had known for several years, as very reliable men.

Putting in Capital

October 1st he deposited $1000.00 in the bank, the amount he thought sufficient at least for the present venture, and made an entry on the debit side of the Cash Book (Fig. 6, line 2, column G, page 31), crediting himself with $1000.00.

Posting

He opened the ledger at page 1, headed the account " John Wilson," entered date, page number of cash book, wrote cash received, and amount (Fig. 8A, page 35), and then marked in space for ledger folio, in the cash book opposite the entry — the page number of ledger on which he had made the entry or posting, so that the entry in the cash book showed page on which he had entered it in ledger, and the ledger entry showed page of cash book from which it had been taken or posted.

This enables any one to check the entries, if ever required to be done.

Buying Furniture

He then paid Hart, the carpenter, for putting in new and changing old shelves — $20.00
paid for the scale..... 10.00
paid for a desk and chairs..... 20.00

These amounts were paid from cash in the drawer and at once entered on the credit side of Cash book (Fig. 6, line 2, page 31), in Sundry column P, as the charge was not to merchandise nor expense, but an account which occasionally occurred, or Sundries, therefore put in that column.

The rest of the day was spent in straightening up and preparing for reception and care of expected stock.

Let Wilson tell the story —

Receiving Goods

Oct. 2nd — In the forenoon, goods bought from the National Hardware Company were received and checked by count, weight and description by Brown, the recently hired clerk, priced and marked by me, and goods put on the shelves.

The bill was marked correct as to terms, prices and extension, having been compared with duplicate order or memo left by salesman at time they were bought.

The form used as shown below, was stamped on each bill as soon as taken from mail, and when goods are received the space for name and

Impression by rubber stamp.

Prices & Terms	O. K.	- - - - - - - - - - -
Extensions	O. K.	- - - - - - - - - - -
Condition & Weight	O. K.	- - - - - - - - - - -
Date Rec'd.....	Via	- - - - - - - - - - -
Req'n No.	Fgt. $	- - - - - - - - - - -
Charge.....		- - - - - - - - - - -

Fig. 5

initial are filled in if correct or notation made and dated on bill, if any discrepancies, say shorts, unsatisfactory substitution, damaged articles, etc., and promptly taken up with shipper or railroad.

I had learned long years ago that an immediate claim had a delayed one beaten 100 per cent in time, friction, proof and temper.

When goods check with bill and the initials are written in, the bill is ready to be entered to credit of shipper.

This bill is entered in the Journal (Fig. 7A, page 34) crediting National Hdw. Co. Inv. 10/1 $59.50 — charging "Merchandise" (same amount) — $59.50.

Turning to section reserved for creditors or Accounts Payable, (firms from whom we buy), say between pages 30 and 60, we use page 58, head the page National Hdw. Co., and on first line of credit or right hand side post the amount ($59.50 — Fig. 8B, page 36).

Then in space of Journal "Led. Fol." write 58 — page number of the ledger to which you have just posted the entry.

Indexing

You have, of course, found out that the ledger has an index in the front on which you always either write the name of person or account, and the ledger page number, as soon as you have selected the page you are to use, or immediately after heading the page, and thus will always avoid delay and annoyance of failing to index an account.

I have known many to suffer who followed no rule in this procedure, and as a result, sometimes wholly neglected to index an account which caused delay when quick reference was required.

Oct. 3rd — The goods ordered from Goddard Grocery Company, and Brown Shoe Company, are delivered and we pursue the same course as with goods from National Hardware Company, checking goods, price, extensions, and initialing in the rubber stamp impression spaces (Fig. 5) and note exception, if any. The bills proving correct, we enter up,

crediting "Goddard Gro. Co., Inv. 10/1,"	$545.00	
" "Brown Shoe Co., Inv. 10/1,"	250.00	
charging Merchandise	$795.00.	(See Fig. 7A.)

Oct. 4th. (Sunday.)

Oct. 5th. Received goods shipped by

and credited

Carlton Dry Goods Co., Inv. 10/2.....	$100.50	
Gauss-Langenburg Hat Co., Inv. 10/2.....	95.00	
charged Merchandise	$195.50.	(Fig. 7A.)

Freight Paid

The same day the R. R. Agent presented freight bills for freight on goods delivered 2nd, 3rd, and 5th,

On National Hdw. Co.'s shipment,		$1.78
Goddard's	"	6.17
Brown's	"	3.72
Carleton's	"	1.53
Gauss'	"	1.80

Which we pay and charge to
Merchandise..... $15.00. See Cash Book (Fig. 6, line 3, column N, page 31).

The cost of goods is the invoice price, together with any charges for freight or delivery, or the total amount paid for the goods bought and laid down in the store, hence, as the freight is part of that cost, it is charged, in a small business, directly to Merchandise. In larger houses freight paid on goods bought is charged "Freight in" and freight prepaid on sales sold delivered is charged "Freight out." "Freight in" is charged finally to Merchandise or Stock, and "Freight out" is charged finally to Sales.

Rent

The landlord calls to see if we can spare the money for October rent, $30.00, which we pay, take his receipt, and charge to Expense. (See Cash Book, column O, Fig. 6, page 31.)

Our announcements and visits have been working for we have been busy showing goods to some of the most valued of my old customers who had favored me while in my former place of employment.

Our stock was fresh, our efforts to please were keyed up to that feeling way back in my head.

"You-cannot-afford-to-let-up!-you-must-succeed-Hammer!"

"Hammer!-but-do-it-on-the-soft-pedal-and-WIN!"

We won; at least, started to winning.

George Allen came in just to look around and see how we were fixed, didn't need any goods, etc.— you are familiar with such accidental calls, but I succeeded in booking his order.

While I was busy with Allen, Brown, my clerk. was busy chatting with Wm. Cox, and seemingly relying upon his radiant smiles to draw out the order I knew he was after.

At first it struck me as a pink tea gossip between two old, but gracious, hens, and I had a notion that I had better hurry over as soon as I was through with Allen, but I recalled the advice I had overheard old Mr. Clark give his new son-in-law just taken into the concern:

"Don't disturb a probable pending sale by butting in; the customer's mind will be confused and he will then require careful leading to bring him back to the bridge he was about to cross; the salesman cannot but

realize the implication of superiority on your part, with the result, that he will be rattled and the interruption end in a 'near-sale.' "

The momentary desire to help Brown died when my memory turned back to those words of the squarest, whitest, most successful boss a man ever had served under.

A short time later I had gone to the office to look up some prices; Brown came in smiling and handed me the order he had written up for Cox.

The goods were quickly gotten ready, packed and orders entered up on Sales Book. (Fig. 4, page 21.)

Charging Geo. Allen,	$48.80
" Wm. Cox,	87.50

And Merchandise will be credited $136.30, by posting total at end of month.

Customers' Accounts

Accounts were to be opened in that part of the ledger reserved for customers, any page between 80 and the back cover, but I had learned that if the customers' accounts had 220 pages at our disposal, I would allot a certain number of pages to each letter.

I selected page 82 for Geo. Allen, indexed his account, turned to page 82, headed the page with his name and address, and then posted from the Sales Book, date, sales, salesman's name, page of sales book from which entry was taken, and last the amount, $48.80. (See ledger account, Fig. 8C, and sales book, Fig. 4, page 21.)

We allotted page 96 to Wm. Cox, indexed the page, turned to page 96, and posted the entry in full, and the amount of bill, $87.50 (see Fig. 8C), and marked 96 in ledger folio column of Sales Book (Fig. 4, page 21).

Near the close of the day we listed and added the Cash Sales, amounting to $20.00, and credited same on Cash Book (Fig. 6, Col. E, page 31). We do not post Cash Sales to ledger daily — only total at the end of the month.

Personal Expense

October 6th — I, John Wilson, needed money for household expenses, so drew $20.00 from Cash drawer, and put in a receipt for that amount, which was charged up on the credit side of the Cash Book (Fig. 6, Col. P), and then posted to debit of my account on the ledger (Fig. 8A, page 35).

Brown and I broke nearly even today, as he sold a more profitable bill, though mine was slightly greater in amount, but had more staples. The bills sold were to

Henry Moore, sold by Brown $67.20, charged on Sales Book (Fig. 4, page 21), posted ledger 132 (Fig. 8C, page 36).

Frank Welsh, sold by Wilson $74.00, charged on Sales Book (Fig. 4), posted ledger 137 (Fig. 8C, page 36).

These ledger accounts were opened, indexed and posted.

Before closing for the day we listed and added the Cash Sales, reconciling this amount with the count of money in drawer, then credited the sum, $30.00, to sales in the cash book (Col. E, Fig. 6, page 31).

Wages Paid

October 7th — Paid cash to Brown, wages for week ending October 7th, $9.00, and charged on Cash Book in expense (Col. O, Fig. 6, page 31).

Expenses

As remarked, there is no wages " ledger account," because in *this set* we charge all items of Expense such as wages, heat, light, taxes, insurance, etc., to the one account — Expense (Col. O, Fig. 6). We put the figures in that column, do not post to Ledger daily, but at end of month add this column of Cash Book, and post total to ledger. If an examination for comparison is desired, the amount may be classified on a piece of paper, totaled by class or character, and memo made on margin of Cash Book, or ledger page, for further reference.

Cash Sales tickets listed and totaled, then compared with the count of cash, amounting to $40.00, posted in Cash Book (Fig. 6, page 31) to credit of sales.

October 8th — Cash sales listed and counted, and agreed with cash in drawer, and credited to sales in Cash Book, $62.50. (See Fig. 6, Col. E, page 31).

Cash Balance for Change

Of course, you understand that each day there should be a certain amount of cash in drawer, to make change, and this balance, or amount is always deducted from total amount found in drawer at close of day, to balance Cash. We think $20.00 in assorted denominations sufficient for change in the early hours, and have set that sum as the regular balance to be retained, and deposit the remainder and all checks received, daily in bank.

October 9th — Cash sales listed and counted, agrees with cash amounting to $50.00, is credited on Cash Book, page 2, to sales. (Fig. 6.)

William Cox called to say he had sold some hogs and wished to pay part of his account, handing in $50.00, which was credited to his account on Cash Book, page 2, and at once posted to his ledger account, page 96 (Fig. 8C, page 36), on the credit side. Entry in Cash Book has that page 96 number, written in space ledger folio.

October 10th — Cash Sales listed, totaled and compared with Cash as counted, are credited on Cash Book amounting to $90.00. (See Cash Book, page 2, Fig. 6, Col. E, page 31.)

CHAPTER IV

Closing Books for Month—Set 1

INSTEAD of multiplying entries and increasing the bulk of this work, let us imagine that the business done as shown in foregoing pages is for a full month and that we are at the end of, or on October 31.

We will now close the month's work,— balance Cash Book and bring down cash balance for beginning next month, rule and close sales book, take off trial balance — close up for year, make a Balance Sheet showing results of business done, and how much we now owe and what we have, with which to pay it.

Closing Cash Book for the Month — Debit Side of Cash Book

The amounts received have not only been entered in their respective columns E, F & G, but also, for convenience, in the Total column H, so that, at any time, we may, by the footings of this column H, know exactly how much money we have received for the month.

To prove it, we can, at any time, foot the other three columns E, F, G and add their totals, which should equal the " Total " column H. Credit side of cash book may be proved the same way.

At the end of the month we always rule up the Cash Book, to keep the cash transactions of that month separate from the succeeding month, and, for convenience, prove the totals, then by carrying into the Sundries column the footings of the other two and making a new footing of Sundries column, which should then agree with Total column.

Ruling Debit Side of Cash Book

For example, we find pencil footing of Sundries column G is	$1,000.00
We rule a red line under pencil footings Cash Sales E, write this in ink and carry over on line 10 to Sundries column...	292.50
ruling red line under and across columns E & F on line 10.	
We rule under pencil total customers, column F on line 11, putting footing	50.00
in ink and carrying to Sundries column G.	
Rule red line across columns F, G and H on line 11, and now foot " Sundries " G, " Total " column H, bring new totals down in ink on line 12, showing these totals prove and that	
you have received in October, Cash.....	$1,342.50

2 Dr Cash - John Wilson

DATE		LED FOL	RECEIVED FROM	DESCRIPTION	CASH SALES	CUSTOMERS	SUNDRIES	TOTAL
Oct	1	1	John Wilson	his check			1000 00	1000 00
	5	✓	Sales	Cash Sales this day	20 00			20 00
	6	✓	"	" "	30 00			30 00
	7	✓	"	" "	40 00			40 00
	8	✓	"	" "	62 50			62 50
	9	✓			50 00			50 00
	"	96	Wm Cox	paid on acct		50 00		50 00
	10	✓	Sales	Cash Sales this day	90 00			90 00
	31	8	Sales	Cash Sales for Oct	292 50		292 50	
	"	✓	Customers	Paid in Oct		50 00	50 00	
		6		Total cash recd in Oct			1342 50	1342 50
Nov	1		Balance down	from Oct 31			1218 50	1218 50
A		B	C	D	E	F	G	H

Fig. 6 — Left Hand

for month of October 1913 Cr 3

DATE		LED FOL	PAID TO	FOR	MDSE	EXPENSE	SUNDRIES	TOTAL
Oct	1	10	Furniture & Fixtures	Scale, Desk & chairs			50 00	50 00
	5	✓	Merchandise	Freight paid	15 00			15 00
	"	✓	Expense	Rent for Octo		30 00		30 00
	6	1	John Wilson	paid him on acct			20 00	20 00
	7	1	Expense	Brown - wages to 7th		9 00		9 00
	31	2	Merchandise	Paid in Octo	15 00		15 00	
	"	11	Expense	" " "		39 00	39 00	
	"	6	Cash	Total paid out in Octo			124 00	124 00
			Balance	forward to Nov. 1			1218 50	1218 50
							1342 50	1342 50
J		K	L	M	N	O	P	R

Fig. 6 — Right Hand

Ruling Credit Side of Cash Book

Rule Merchandise column N,— put total in ink and carry to Sundries column P	$15.00
Rule Expense column O,— put total in ink and carry to Sundries column P	39.00
These added to pencil footings above, of Sundries column, or	70.00
are, after ruling, totaled, showing amount paid out in Oct.,	$124.00
We now, on a scrap of paper, deduct amount paid from amount received, showing	1,218.50
or the amount of balance — excess of receipts over payments.	
We put this balance in ink in Sundries and in Total column and then foot	$1,342.50

showing both sides equal. Rule up both sides on line 12 and bring down the Balance of Cash on hand *to* the *debit* side, in both Sundries and Total columns, showing balance of $1,218.50, to start with, Nov. 1st.

The reason we place the amount, also in the Sundries Column G, is because every amount in the Total column must also appear in one of the distribution columns E, F or G,— that, at all times, the total of all three columns must equal or prove the total footing of the Total column.

We now post the total of column, Cash Sales, $292.50, to credit of " Sales " account in ledger, on the credit side. (Fig. 8A, acct. 8, page 35.)

Customers have been credited their receipts at the time paid;

Sundries have been credited their receipts at the time paid;

hence in closing Cash Book or making totals, make check (√) mark in column B and K, ledger folio, as they have been posted once and now no posting is made of totals. Total amount received, $1,342.50, is posted to debit side of cash account in the ledger (Fig. 8A, page 35), because we have received that amount of cash, credited the persons or accounts from whom received on their ledger accounts, and, after receiving the cash (the cash drawer, Bank or Mr. Cashier) owes the store that sum in cash. from them, turned the cash over to the drawer or bank: consequently cash The Cash Account in the ledger should agree with the cash balance shown by the Cash Book and this amount is the money in bank together with the amount in the store.

Sales Book

As we have posted the sales from the Sales Book to the debit of each customer at the time, so now at the end of the month we credit the total sales as shown by the Sales Book to Sales Account in the Ledger. (Fig. 8A, page 35).

Thus, all the amounts debited the customers equal the total credited to sales,— again giving every debit a corresponding credit.

Trial Balance

You are now ready to take off a trial balance (Fig. 9, page 37) to see what the books show for the first month's business.

The accounts in the ledger are examined and footed in pencil, and to the left of columns of each account is placed the difference between the larger and the smaller totals, showing either an excess of credits, a *credit balance* or — an excess of debits or a *debit balance.* (Fig. 8A, B, C.)

We then take a sheet of paper with three columns on the space to the right, using the left-hand side for page of ledger account, then the name of the account. The first column is simply for grouping the accounts of

same class — either debits or credits — such as Accounts Payable or Accounts Receivable. Mark the second or centre column " Debit." Mark the third or last column to right " Credit."

We list on this sheet all the open accounts or those showing balance,

First the ledger page of the account

Then the name of the account — and

if not of a group or class — the balance shown in the ledger, in the debit column all debit balances — in the credit column all credit balances.

If a number of balances belong to one group, such as Accounts Payable, put all those credit balances in the grouping column and extend the total of this group to the *credit column*,— likewise the Accounts Receivable,— debit balances in this grouping column and then extend the total of that group to the Debit column.

The grouping columns show the individual balance of each of those you owe (Accounts Payable), and also what each of those owing you grouped as Accounts Receivable, and the other column what both of those classes amount, to or —

total Accounts Payable (in this case), $1,050.00

and total Accounts Receivable (in this case), 227.50

Then foot the debit balances and the credit balances, when, if you have made no mistake, you will find that both of these totals are of the same amount — one total, $2,600.00, or what you owe — the other amount, $2,600.00 owing to you, with which you can pay it.

Because you have on the books given credit to each man or thing for the amount received from them and charged or debited each one with the amount delivered or given to him.

To put it another way.

The books you keep are simply a record of the transactions the store has had — what it received and the amount of it;

what is parted with or given and the amount, and both the giver and the receiver are shown; for there is no giver unless there is a receiver — either person or place or account which must account for the gift.

The books should show all items both debits and credits belonging to the period or which occurred up to the time the balances are made, whether goods bought, expenses incurred, cash received, goods sold or exchanged, and of every nature and no entries should be left to come in later, because the accounts should be a true statement, as near as may be, as of the date stated, for the whole business.

16 Journal John Wilson October 1913

		2			
2		Merchandise Dr	59 50		
	58	To Nail Hdwe Co Invoice 10/1, goods rec'd 10/2		59	50
		3			
2		Merchandise Dr	545 00		
	48	To Goddard Gro Co Invoice 10/1, goods rec'd 10/3		545	00
		3			
2		Merchandise Dr	250 00		
	32	To Brown Shoe Co Invoice 10/1, goods rec'd 10/3		250	00
		5			
2		Merchandise Dr	195 50		
	36	To Carleton Dry Goods Invoice 10/2 Goods rec'd 10/5		100	50
	44	" Gans Langenberg & Co. " 10/2 " " 10/5		95	00

Fig. 7A

Some bookkeepers prefer a "divided journal" as below

SUNDRIES		MDSE		LED FOL		LED FOL	MDSE		SUNDRIES	
					2					
		59	50		Merchandise Dr					
					To Nail Hardware Co Invoice 10/1, rec'd 10/2	58			59	50
					3					
		545	00		Merchandise Dr					
					To Goddard Gro Co Invoice 10/1, " 10/3	48			545	00
					3					
		250	00		Merchandise Dr					
					To Brown Shoe Co Invoice 10/1, 10/3	32			250	00
					5					
		195	50		Merchandise Dr					
					To Carleton Dry Goods Invoice 10/2 " 10/5	36			100	50
					" Gans Langenberg & Co. " 10/2 " 10/5	44			95	00
A		B		C		D	E		F	

Fig. 7B

Journal

SUNDRIES		MDSE		LED FOL		LED FOL	MDSE		SUNDRIES	
					16					
114	00			11	Bills Receivable Dr					
					To N Shields Rec'd his note 12/16-30 d/d to settle his bill 12/16	129			114	00

Fig. 7C

John Wilson 1

Date			Fol	Debit		Date			Fol	Credit	
Oct	6	Cash	3	20	00	Oct	1	Cash 480.00	2	1000	00

Merchandise 2

Oct	2	Wax & Hero. Co	9	16	59	50					
	3	Goddard Bro Co		"	545	00					
	"	Carlton Dry G		"	100	50					
	"	Gauzinger & by		"	95	00					
	"	Brown Shoe Co		"	250	00					
	31	Cash	CR	3	15	00					
					1065	00					

Cash 6

Oct	31	Recd in Oct 1218.50	C	2	1342	50	Oct	31	Paid out in Oct	C	3	1244	00

Sales 8

							Oct	31	Cash sales	C	2	292	50
									Charge sales	S	5	277	50
												570	00

Furniture & Fixtures 10

Oct	1	Cash	C	3	500	00							

Expense a/c 11

Oct	31	Cash	C	3	39	00							

Fig. 8A

The general or representative accounts are kept separate from the groups of "accounts payable" or the accounts owing by the concern and also from the group "accounts receivable" or accounts which are owing or to be received by the firm and which must be collected.

Brown Shoe Co 32

DATE			FOL	DEBIT		DATE				FOL	CREDIT	
						Oct	3	mdse	9	16	250	00

Carleton Dry Goods Co 36

						Oct	5	mdse	9	16	100	50

Gaus Langenburg Hat Co 44

						Oct	5	mdse	9	16	95	00

Goddard Grv. Co 48

						Oct	3	mdse	9	16	545	00

National Hardware Co 53

						Oct	2	mdse	9	16	51	50

Fig. 8B — Ledger Accounts Payable — Set 1

George Allen 82

Oct	5	Sales	5	5	48	80						

William Cox 96

Oct	5	Sales	5	5	87	50	Oct	9	Cash	2	50	00

Henry Moore 132

Oct	6	Sales	5	5	67	20						

Frank Welsh 137

Oct	6	Sales	5	5	74	00						

Fig. 8C — Ledger Accounts Receivable — Set 1

Trial Balance Oct 31. 1913

LED FOL	ACCOUNT		GROUPING COLUMN	DEBIT	CREDIT
1	John Wilson				980 00
2	Merchandise	Goods bought		1065 00	
6	Cash	Balance on hand		1218 50	
8	Sales	" of Sales to date			570 00
10	Furniture & Fixtures	" " "		50 00	
11	Expense	" " "		39 00	
	Accounts Payable				
32	Brown Shoe Co	Owing them	250 00		
36	Carleton Dry Goods Co	" "	100 50		
44	Gauss Tangelsburg Natl	" "	95 00		
48	Goddard Grocer Co	" "	545 00		
58	Natl Store Co	" "	59 50		1050 00
	Accounts Receivable				
82	Geo Allen	Owing by them	45 80		
96	Wm Cox	" " "	37 50		
132	Henry Moore	" " "	67 20		
157	Frank Welsh	" " "	74 00	27 50	
		TOTALS –		2600 00	2600 00

Accts Payable – The first column shows Credit bal of each acct –
" last " " total due to all firms
Accts Receivable – " first " " debit bal of each acct
" second " total due by all customers.

Fig. 9

In a large business owning many classes of property, each item has its own ledger account such as store building, warehouse, stable, and, if vacant property, Lot No. . . ., etc.

The ledger balances of these accounts are stated separately in the first column, the total of the group carried to the second column so that the proprietors may see at a glance not only the balance of each, but the total of the group, or investment in that class of property. Some large concerns consolidate or charge all these balances into one ledger account — termed "Real Estate & Buildings," "Real Estate, Buildings & Machinery" or "Plant."

The Expenses are similarly kept separate — a ledger account each for "Taxes," "Insurance," "Rent," "Repairs to Building," if owned, etc., or any expense of housing or providing a home for the business. Other expenses incurred in managing the business such as "Salaries" (part or whole of officers or proprietors and office clerks); Office Expense (stationery, printing, etc.), "Interest," "Cleaning and Sweeping," etc., or the expense of keeping the house in order are grouped and the totals of these are carried to a third column — showing cost of administering the affairs, and at stated periods monthly or annually, closed into an account termed "Administration Expense."

The several classes of expense incurred in selling the goods are also subdivided and finally as above closed into an account called "Selling Expense." This subdivision is treated more fully in the books of Set 3.

Journal John Wilson Closing Entries 17

	LF	LF		DEBIT	CREDIT
			Oct. 31		
E	8		Sales Dr	570 00	
		2	To merchandise - Bal of Sales closed into Mdse		570 00
			Oct 31		
F	2		Merchandise Dr	39 00	
		11	To Expense a/c Bal of Expense closed into Mdse		39 00
			Oct 31		
G	3		Inventory Dr	666 00	
		2	To merchandise transfer of balance - on Stock on hand		666 00
			Oct 31		
H	2		Merchandise Dr	132 00	
		4	To Profit & Loss Transfer of Resid balance of Mdse being profits of the year		132 00

Fig. 10 — Journal Closing Entries

Merchandise Account 2

DATE			FOL	DEBIT	DATE			FOL	CREDIT
Oct	31	footings brot for'd		1065 00	Oct	31	Sales for the year J	17	570 00
	"	Expense J	17	39 00		"	Inventory J	17	666 00
	"	Profit & Loss	17	132 00					
				1236 00					1236 00

Inventory 3

Oct	31	merchandise J	17	666	00

Profit & Loss 4

					Oct	31	Mdse - profit for year J	17	132 00

Sales 8

Oct	31	merchandise J	17	570	00	Oct	31	footings brot forward	570 00

Expense 11

Oct	31	footings brot for'd		39	00	Oct	31	merchandise J	17	39 00

Fig. 11 — Ledger Closed

CHAPTER V

Closing Books for Year—Set 1

WE now come to the closing of the year, presuming, of course, that the entries shown represent one year. (See Fig. 10.)

We make Journal Entry E — giving to merchandise the amount realized from sales of goods which was furnished by merchandise, $570.00;

and ask merchandise — Entry F — to pay all expenses of running the business, by assuming payment of the amount, $39.00, which is done by debiting merchandise and crediting expense — thereby balancing Expense Account.

We have listed goods now on hand and not used for sales. Take these from merchandise, in part pay for what they owe, and turn them over temporarily to an account called Inventory, by making the entry G — debiting " Inventory " and crediting Merchandise, $666.00.

Both sides of Merchandise account are now footed in pencil and on a scrap of paper, we figure

Credits	$1,236.00
Debits	1,104.00
A credit balance of	$132.00

We treated merchandise as an agent — giving him a stock of goods, which he was to sell, and after paying expenses, pay first for those goods used, then any surplus he might have or profit; therefore, we make an Entry " H," debiting Merchandise and crediting " Profit and Loss," $132.00, the profit for the year.

Posting is completed — accounts ruled up, balances brought down and a Balance Sheet prepared (as per Fig. 12).

(Explained in detail, page 47.)

If we could now take an Inventory (Fig. 14, page 50), or, a list and the value of all goods in the store, and store room, we could know how much we had made or lost, supposing, of course, that our furniture and fixtures were as valuable as when we bought them, and that we can surely collect the whole amount due us as shown by the books, without any loss or expense in collecting.

We devote our time to selling the goods bought and must depend on the Net profit we make on such sales, for our reward.

It is, therefore, to our interest that we handle the most salable goods and satisfy our customers in quality, and service, in order to increase the amount or volume of our sales, since the greater the sales, the larger the profit, if bought right and properly priced when sold.

Necessary Expenses

To this end we must incur the necessary expense, such as rent, light, heat, etc., etc., and to supplement our efforts, may have one or more salesmen, whose wages are also an expense.

Balance Sheet John Wilson

LED FOL		DEBIT		CREDIT	
1	John Wilson			980	00
2	Inventory	666	00		
4	Profit & Loss			132	00
6	Cash	1218	50		
10	Furniture & Fixtures	50	00		
	Accounts Receivable (see Fig. 9)	227	50		
	Accounts Payable (" " 9)			1050	00
		2162	00	2162	00

Fig. 12 — Balance Sheet

Net Profit

Consquently, a part of the profits of the business must be used to pay these expenses, and what is left is net profit.

The Inventory (which will be explained in chapter VII in detail, how taken, priced, and assembled), in this case, shows goods on hand at cost prices, amounting on October 31st to $666.00.

Merchandise and Sales

There are two accounts in the ledger which need full explanation — one Merchandise, or total cost of goods laid down in the store, and, the other, Sales Account, which shows the amount of Merchandise sold plus gross profit, or a profit added to original cost of goods, out of which, if properly attended to, we should be able to pay all running expenses, the proportion of losses or bad debts, depreciation, wastage, and errors, and

still have left a reasonable profit, termed Net profit, to repay for our time, and use of our capital, which is ascertained by " closing the books."

There are several methods of closing the books, or, wiping out some general or strictly representative accounts, one by transferring the debits or credits, and adjusting by the Merchandise account as commonly practiced, but the plan below may suit a small business; the entries will be explained later.

Closing Merchandise Account

If you begin the year with a stock of goods or amount inventoried at the *close* of the previous year's business, add that amount to the purchases of the current or fiscal year; because the *stock* then on hand (with which you started the year) added to the purchases, for the year, give the total amount of merchandise available for the sales of the year.

From this total of goods (in present case)	$1,065.00
Deduct the amount of present inventory	666.00
which shows the amount of goods sold	$399.00
To this amount add all expenses	39.00
which shows the cost to you of goods sold	$438.00
But since these goods as shown by Sales account were sold for	570.00
your net profit on those goods is	$132.00

To show these results by making proper entries in your books, you must close up the two following accounts, so that they show no balances.

Closing Sales

Sales Account, by giving or delivering the amount or total credit balance of sales to merchandise, which leaves no balance standing in Sales Account. See Journal Entry (Fig. 10) and ledger account (Fig. 11).

Closing Expense Account

Expense account, by paying those expenses from merchandise account or transferring the debt due by expense (a debit balance) to the shoulders of merchandise account, which you do in debiting Merchandise account. (Fig. 10, page 38.)

Closing Merchandise Account

You then take the total value of unsold goods from Merchandise Account, by crediting Merchandise, and open an account styled Inventory, to which you debit that amount of unsold stock. (Fig. 10, page 38.)

Then, if Merchandise Account, after the closing entries are made, shows a greater amount of credits than debits, it has a credit balance

which is the amount of profit for the year, and this amount is delivered to or closed into an account styled—"Profit & Loss," crediting the latter account by giving to it and debiting Merchandise (Figs. 10-11, page 38), which closes Merchandise Account. (The footings of the debits will then equal the footings of the credits, and no balance appearing, red lines are ruled under the pencil figures, which are then brought down in red ink under red lines, and an additional red line ruled under the ink figures, and the account stands closed.

If on the other hand the merchandise shows a debit balance, after the closing entries are posted, the amount of that balance is a Loss and must be assumed by Profit & Loss, to which it should be debited, and merchandise credited, the reverse of the entry for profits made.

General or Representative Accounts

Until familiar with accounts, it may fix the transactions clearer in your mind, if you consider general or representative accounts, all other than customers and jobbers, as persons, Mr. Cash, Mr. Merchandise, Mr. Sales, etc., etc.

Cross Entries

Instead of handling the goods, and money, in these closing entries, we make delivery, or transfer on paper by means of cross entries, just as is done in a public warehouse, or grain elevator.

Example

One man, "A," places in the warehouse, 50 barrels of sugar, and takes a receipt for same, which is noted on the warehouse books as belonging to "A."

"A" sells the sugar to "B," gives "B" the warehouse receipt, properly assigned on the back, then "B" turns over to the warehouseman the receipt acquired from "A" and requests a receipt to show that the goods now belong to him.

Thus you see, the goods are taken from one man and given to the other simply by authorized transfer, or, *entry* on the books of the warehouse.

The transfers, or, entries on our books may be as follows:

To *close Sales Account* in the ledger, credit or give the balance standing to credit of Sales, $570.00, to Merchandise account, by Journal entry (Fig. 10, page 38) as follows:

Sales Account, Debit	$570.00	
To Merchandise Account, Cr.		$570.00

Balance standing to credit of sales and to close that account.

Closing Expense Account

To have Merchandise make refund of money paid out to run the business, or assume the Expense account, make following entry in Journal (Fig. 10, page 38):

Merchandise Account, debit, ...	$39.00	
To Expense account, credit, ...		$39.00
For balance of Expense account to be charged Mdse. and close Expense Account.		

Inventory Account Opened

To get the goods which are unsold temporarily out of custody of merchandise and put the same in the new account, we enter in Journal (Fig. 10, page 38):

Inventory Account — debit	$666.00	
To Merchandise Account — Credit		$666.00
For stock on hand unsold per inventory, and that amount transferred.		

Results of Closing

Having made these entries we will post them, which shows:

Sales Account has been closed by crediting the amount of its balance to merchandise account. (Fig. 10, page 38.)

Expense Account has been closed by debiting the amount of its balance to merchandise account. (Fig. 10, page 38.)

Inventory Account has been opened and debited with the amount of goods shown to be on hand by inventory or balance of Merchandise unsold, and because originally taken from Merchandise Account, has been credited back to Merchandise Account.

Merchandise Ledger Account is footed in pencil and appears as follows:

Merchandise account, debtor.....	$132.00	
To Profit & Loss, creditor.....		$132.00
Credit side of Merchandise transferred being profits for year. (Fig. 10, page 38.)		

Very small and light pencil footings are made on both sides on the account as indicated and do not mar or disfigure the ledger.

By this means it is easy to ascertain the excess or balance and on which side.

If, as in this case, the credit is greater by $132.00, it shows that much profit.

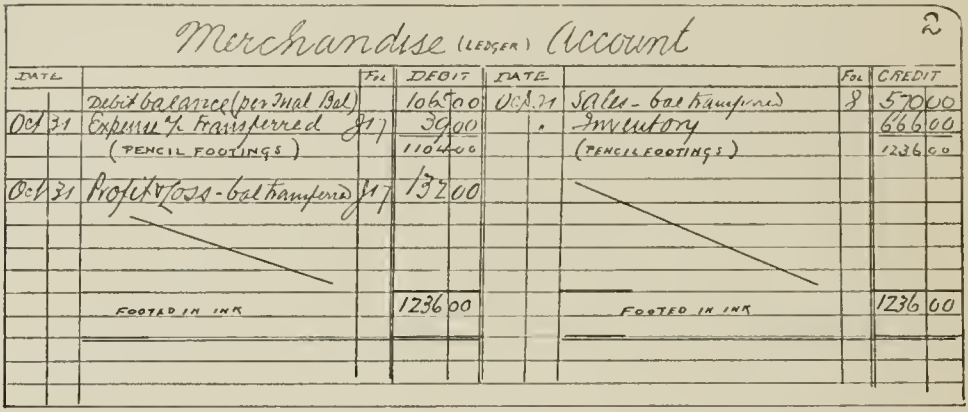
If the debit side had been greater it would show a loss or that the

cost of goods added to the expense of doing business exceeds the amount for which you sold the goods.

Mr. Merchandise is Honest

Thus, you see, Mr. *Merchandise* furnished the goods which we sell, and which, after being sold, we call Sales, to distinguish and keep account of separately, that we may know the volume of business done, by day, month or year.

Mr. *Merchandise* also refunds at the end of the year, all expenses, which are also kept separate that we may, by comparison, month by month, watch for any leaks.



Merchandise (Ledger) Account 2

Date			Fol	Debit		Date			Fol	Credit	
		Debit balance (per Trial Bal)		1065	00	Oct.	31	Sales - bal transferred	8	570	00
Oct	31	Expense A/c Transferred	J17	30	00			Inventory		666	00
		(Pencil Footings)		1104	00			(Pencil Footings)		1236	00
Oct	31	Profit & Loss - bal transferred	J17	132	00						
		Footed in ink		1236	00			Footed in ink		1236	00

Fig. 13

Mr. *Merchandise* is honest, he gives back the exact amount of goods unsold or not used, to be turned over to another custodian, temporarily, or Mr. Inventory (Chapter VII), to be later turned over to the new Merchandise Account of this year.

Mr. *Merchandise* also gives up at the end of the year, any profits made. (See p. 47.)

After the books are finally closed, a Journal Entry is made closing Inventory account into Merchandise Account, or returning to Merchandise account the goods on hand, which were placed in Inventory account simply to arrive at results.

CHAPTER VI

Debit and Credit in Another Light

IF you have read thus far, you doubtless understand what is a debit and credit, and why we divide all transactions into these two classes, but, to put it another way:

Every debit must have a credit, since no property can be received or parted with unless there is one who gives — who must have credit, and one to whom it is given — who must be debited.

You cannot have a debit, only, without a credit; nor a credit without a debit, because no one can part with or deliver any property, unless there is some one or thing to whom it is given, for without a recipient there can be no gift.

As the total amount of all debits must equal the total amount of all credits, it follows that the total balances of all debit accounts, must equal the total amount of all credit balances, as shown in a statement called a "*Trial Balance.*" (Fig. 9, page 37.)

In your books should be shown the record of all property which comes in or goes out, also of any change of location, if taken from one account and placed in another, as transferring the debt due by a customer to cash account when the debt is paid.

Merchandise and Sales

If you receive goods from one who sells to you, these goods are placed in merchandise account and so recorded in the books by the entry debiting merchandise, on your cash book if bought for cash, and, on your journal if bought to be paid for at some future time.

When any part of these goods are removed and delivered to a purchaser or customer, the location of the debt is changed, and from merchandise through sales the amount is then found to be due by the customer.

Sales will settle its account with merchandise at the end of the year in one transaction, for the sake of convenience, as shown in the closing entries (page 42).

What Composes a Sale

If you have transferred from merchandise, the cost value of the goods, by debiting Geo. Allen with $48.40 (the amount of the sale), you have transferred to Allen's shoulders, the burden; or

1st. The value or cost of goods taken from merchandise.

2nd. The proportion of all expenses belonging to that sale.

3rd. The percentage of net profit.

Instead of figuring the proportion of expense, and the proportion of profit on each sale, which would mean an endless amount of work, we allow the proportion of the expenses and the profit, on all sales as made, to remain in Sales account until the end of the year, when division is made by the closing entries, giving back,

1st. To Merchandise the exact amount, or cost of all goods taken from it.

2nd. To Expense every cent previously charged that account for carrying on the business during the year; and,

3rd. To Profit and Loss all the profits on every sale during the year.

When Allen pays his bill, the amount, $48.40, his debt, is canceled by crediting his account with the money received, and debiting cash, because the money Allen owed was handed in by him and turned over to the Cashier, who is now accountable, and the debt formerly due by Allen is now due by Cash.

To exemplify the repayment by merchandise, as shown by the set of books, we have just closed:

How Merchandise is Closed

We turn over to Merchandise account the total amount realized from Sales, because all the goods sold came out of Merchandise stock..		$570.00
But any excess or difference between the cost of all goods bought, or.....	$1,065.00	
And the value as shown by the inventory of goods now on hand, or.....	666.00	
Show actual cost of goods sold, or.....	$399.00	
which sum must be accounted for or repaid by Merchandise account.		
The total expenses incurred to make the sales.	$39.00	
must also be assumed or paid by Merchandise account.		
The total amount of cost of goods used and expenses therefore is	$438.00	

This amount, which must be repaid by Merchandise, is deducted from Sales.....		$438.00
Leaving a balance of		$132.00
which is Net Profit.		$570.00

or, (See page 42),

Amount to be credited Merchandise because we take away the unsold goods.....		$666.00
Amount to be credited Merchandise because we must transfer the credit balance of sales to credit of, or give Merchandise.....		570.00
Making a total credit to Merchandise of....		$1,236.00
From which we ask pay for or deduct the total cost of all goods	$1,065.00	
Also refund expenses by transferring the debit balance of expense	39.00	
Or, a total debit of	$1,104.00	$1,104.00
Which, deducted from the total credit, leaves a balance of		$132.00

Or, the profit which must then be transferred to Profit & Loss account.

CHAPTER VII

Inventory

IF you know the quantity and value of the different kinds of your property at any two dates, you could then by comparison of quantities and values, or amount, be able to tell whether you had made, or lost, money during that period, and how much.

It makes no difference whether you are just beginning, or have for many years been conducting a business, you could learn the results of your dealings between any two dates by having a correct account of your affairs, both at the commencement and at the end of the period in question.

What Should Inventory Show?

Your books should show the balance of:

1st. Cash on hand and in bank.

2nd. Accounts receivable or due you by customers and others;

3rd. Accounts payable or due by you to others; and,

4th. A list of all real and personal property,

which should be listed in inventory form to give you the figures as a starting point. (Fig. 14, page 50.)

Depreciation

At the annual closing date, or when you close your books, the items of Real Estate, Machinery (if you have any), Furniture, and Fixtures, and every other account may be taken as it stands on the ledger, less such depreciation in value that has occurred, and which an examination of the actual property should disclose.

Reserve for Bad Debts

As experience has well shown, the Accounts Receivable are not all paid in full; either disputed or worthless accounts, in those now standing on the books, may develop later, hence a sum is usually set aside, called Reserve for Bad Debts, which proportion, in the light of past experience, may be deemed sufficient.

Depreciation is a loss and must be met, if you would be honest with

yourself, and as the amounts standing to the debit of these property accounts should be their value, this value is decreased to its proper figure in each case by crediting it with the depreciation, and debiting that amount to profit and loss account.

The list of merchandise needs no separate entry to bring the values into line if they are priced at "cost"—or market whichever is lower, and the total shown as merchandise on hand is, except when managed as departments, placed on the books in one amount "Stock on hand," or "Inventory this day."

There are several methods used in taking stock or inventory.

One Method of Preparation

Some merchants start several weeks before inventory time to straighten up scattered and broken stock, count the contents of the box, bin or tray, write on a slip of paper the contents, placing that slip in with the goods, and then list the articles again in a book marked on the outside "Inventory 19—."

"Taken Out" List

During the interval, between this preliminary count, and the date set for the final count, each clerk is instructed that when he removes, for sale or any other cause, any article from a box or bin which has been counted, that he make a note in a memo book of the quantity and description of goods so removed. The book for that purpose is hung up in the department in which these goods are kept.

At the round up, or final check of goods in stock, the memoranda in the "taken out" books are used to alter the figures originally listed and the slips then compared with the revised quantities in the first list, and if agreeing in toto, which has rarely occurred, the main or revised list is extended, totals reckoned, the figures entered in the Journal, and closing entries made.

As errors are expected, unless there are serious discrepancies from the revised list, they are unnoticed.

This method has gained in favor in many large retail houses, where the difference in style, quality, packing, etc., runs into many thousands of lots, but a "*one day count*" should always be had when possible.

One Day Usually Sufficient for Listing

The writer has superintended many large inventories and has always been able to list every item in one, or at most two days and evenings, and though the hours were long and the pace strenuous, the fact of its being

INVENTORY

Sheet No. 16 Dec 30th 19__ Page 1

Department Grocery Priced by Bell Checked by Davis

Location N. W. part Storeroom Extended by Deland Checked by Denny

Called by Decker Listed by Deland Footed by Denny Checked by Deland

BUXTON & SKINNER STATIONERY CO., ST. LOUIS

✓	Quantity	Pounds, Dozen, Packages, etc.	Description		Price Per		✓	Extensions	Totals	✓
✓	2	Bbls	Rice 602	300 302	7 1/4		✓	42 24		
✓	1	"	"	298	6 7/8	"	✓	19 56	61 80	✓
✓	3	"	Sugar Gran'd 330 332 341	1003	6	"	✓	60 18		
✓	1	"	" N. O. Yellow X10	305	5 1/2	"	✓	23 37		
✓	1	"	" " X15	290	5	"	✓	14 50	98 05	✓
✓	2	Bags	Coffee C+1	263	20	"	✓	52 60		
✓	1	"	" DCO	129	18 1/2	"	✓	23 86		
✓	1	"	" YO	130	19	"	✓	24 70	101 16	✓
✓	2	Cads	Tea Y. H. 60 59	119	46	"	✓	54 74		
	1		Amount Forward,							

The sheets are numbered in the upper left-hand corner before they leave the office and must all be returned, the used as well as the unused, to be sure that none have been lost or mislaid.

Each team is handed a sufficient quantity and list made to whom issued. When returned and sorted by Department the former numbers are ignored and the used sheets paged in upper right-hand corner, beginning 1 and up, and these page numbers given in future reference.

Fig. 14

done only once in a year, made every one willing and anxious to have it over with, as a relief.

A Drag Net

The one day inventory acts as a drag net and catches all articles *at*

the time and before they can be missed, which is not the case if reliance is placed on a shifting or changing and long drawn out count.

The method advocated is to devote one day and evening, or as close to that allowance as possible, after the preparation is made for same.

Some lines of business, and also the way stock is carried for sale, vary so much that there is no hard and set rule for preparation.

One store may have stock which can be made ready or tidy for inventory in an evening after the doors close; another may require many times one evening.

Preparation

The first rule will be to have every clerk commence to arrange several days, possibly weeks, before the big day, all broken or loose stock in his department as neatly and in packages, bundles, or piles of even quantity, say 10, 25, 50, 100 or 1,000, as the case may be, so that when selling he need break but one lot at a time. When the final count is made, the odd lots can be easily added, and the remnants of broken packages then counted and rapid progress made.

The reserve stock, whole packages, cases, etc., frequently in the cellar or store room, are chalked as to contents, piled in regular tiers or rows in even quantities for convenient listing. Corners are cleaned out, spaces under counters, benches, and shelving are swept free of litter so that every article may be easily seen.

Caller and Lister in Each Team

On the evening of December 31st teams of two men each, one to call, who must be thoroughly familiar with the goods he has been assigned to call, and his partner, the lister, a rapid, legible writer, start to work.

Space Assigned

Each team is given a section, well defined by limits, of the goods they are to list — the lister is provided with loose leaf inventory sheets (Fig. 14) and usually a board clip on which to hold them evenly and firmly while writing. Space assigned to the several teams should be determined in advance, taking into consideration the character of the work and the aptitude of each team.

Calling and Listing

The usual or staple goods are called by the caller, by quantity or weight or description, and listed by his partner, who repeats the call as he

writes it, so that the caller may know that he is understood. All such goods are later priced in the office at leisure.

Cost Marked Goods

Specials, or goods only occasionally handled which at the time they are put on sale should have been plainly priced and cost marked, have the cost now copied on the inventory to avoid unnecessary work later. (See Cost Mark in Glossary.)

Shelf Goods Logically Arranged

If the stock is logically arranged, in case of a general store, in the Grocery department, all the canned goods are grouped, each kind to itself, or its space, so that articles of one brand can be listed, the similar article of another brand follow, all fruits kept on their own shelves; then vegetables, etc., and follow with all shelf goods, etc., in some order, listing all groceries on grocery sheets, all shoes on sheets for that department, etc., etc.

The Case and Package goods are dealt with in the same manner, and though two or more teams list goods in another section of the same, and also different departments, each sheet will have on it, only goods of one department.

Sheet Initialed and Location Noted

When the goods are all listed, the sheets are sent to the office, each clerk having his initials on the sheets taken by him, and in the upper corner of the sheet, the location of those goods, thus:

Location on Inventory Sheets

"East end of store room" or "Back part of cellar," on "Shelves," etc., so that any goods listed may be easily located if wanted.

Sheets Arranged by Departments

These sheets are arranged by departments, or class of merchandise, and then numbered 1, 2, 3 and up, or *paged* in the right-hand upper corner (Fig. 14, page 50) *for indexing.* That is the permanent order in which they are finally to be arranged for future reference. The numbers in the upper left-hand corner are *issuing* numbers and simply used to verify the return of all sheets or locate by whom mislaid.

The prices are then put in, extensions made, and footed, and those

operations are checked by other clerks so that every price, calculation and footing has been verified.

On a blank inventory sheet these sheet totals may be listed:

Sheet	No.	1	Groceries	$87.50
"	"	2	"	93.00
"	"	3	"	140.70
"	"		etc.	
"	"	26	"	77.80
				$1,743.50
"	"	30	Dry Goods	$14.80
"	"	31	" "	36.92

and finally a summary is made on another inventory sheet:

Sheets	1–26	Groceries	$1,743.50
"	30–38	Dry Goods	347.60
"	39–46	Hardware	739.42
			$2,830.52

Finish Figuring Promptly

Though the pricing, extensions and footings need not be done the same evening, but wait for a more convenient time, it is preferable to get it figured at the earliest possible moment so that the " closing entries " can be made; but on no account should taking of the inventory be delayed or interrupted until finished, thus avoiding any omission or goods overlooked, which might occur if articles are taken out or disturbed before the count is completed.

Footing and Checking Inventory

The prices, extensions and footings are checked preferably by different clerks from those first making them to avoid a repeating error, and the sheets when finished are bound in one pamphlet by running strings through the holes punched in them; or, if amounting to one hundred or more sheets, may be put in a prong binder or short post binder and thereby be securely preserved for future reference.

As shown by (Fig. 14, page 50), each clerk who prices, extends, adds or checks any of these operations should place his initials or name in the space provided, so that any error may be placed where it belongs. After the footings are completed, an adding machine may be profitably used to check same, but in no case should dependence be placed solely on a machine, as the wrong keys may be accidentally struck. Adding machines should be used only to *check,* not to *make* footings.

Indexing Inventory

A very convenient index may be made by using one of the inventory sheets to give contents by *class* or *subdivision*, thus:

Groceries:

Canned Fruits	6–7–14	Rice	1–7
Canned Vegetables	7–15	Sugar	1–8
Cereals	9–18	Tobacco	3–9
Coffee	2		

Hardware:

Ammunition	42	Nails	39
Axes and Hammers	41	Rakes, Hoes, etc.	44, etc.

simply designating the class or special article, as the case may be, that the page can be instantly found when referring — for quantity, price, brand, etc.

This indexing may be done by an intelligent clerk, or a bright stenographer, but if once indexed by the proprietor or an interested party, he will find the details of the stock so thoroughly impressed on his memory, and the results so valuable, that he will call this his own " special job " in the future.

This index will save many valuable moments when comparing and figuring on present or future purchases.

These index sheets may be placed at the beginning or the front of the inventory.

If one has never had an inventory of his goods, he can hardly estimate the other advantages, in addition to arriving at his financial position.

Advantages of an Inventory

These are a few of those advantages, namely, *he will find:*

1. Goods in stock which no one knew of, possibly how, or when purchased, cannot be recalled;
2. Stickers or slow sellers lost sight of, now brought to light;
3. A surplus of irregular numbers or sizes of some article of which the popular sizes are low, probably out;
4. An overstock of some article which in ordinary judgment seems unaccountable;
5. The quantity on hand, of good sellers, may be far below the average quantity which should always be on hand;
6. Many brands of same class, a common and costly fault with many a small or careless merchant;
7. And, many other surprises if honestly admitted.

There is a whole sermon in these two homely sentences, which are apt to come out in Mitchell's advice to any one of his many out-of-town visitors:

"Do you take actual account of stock — or is it too much trouble? If you don't — don't blame anybody if you fail." He may not realize it, but he is a real missionary.

A Case in Point

One jeweler for whom the writer framed a system of monthly inventory, found that he did not know what he had in stock. He discovered much to his surprise that he had still on hand a quantity of special goods which he had purchased over ten years previously, and had entirely forgotten them in their secure and quiet hiding places. By enthusiastic co-operation of his clerks, he closed these out in less than two months, at a slight cut, though he had lost ten years' interest on amount invested.

It is unnecessary to add that he now considers the inventory indispensable.

Goods Should be Priced at Cost or "Market if Lower"

The goods should always be taken at "cost" or "market" whichever is lower, and no advantage taken in rise of price, for any profit taken into account on the books until realized should not be thought of, for you only have the profit when goods are sold, and deterioration or decline may even put the figures of realization lower than at present.

Flat cost is the price you paid him who sold the goods to you;

Prime cost, or cost laid down, is flat cost to which has been added freight or carriage;

And if in as like good condition as when bought, to be priced at prime cost.

Depreciation

In valuing machinery and fixtures, proper depreciation should always be allowed, and to keep track of such items, the following is the usual method:

Marking Furniture and Machinery for Future Identification

Valuable tools are either stamped with a die or branded; machinery by painting on each machine its number or otherwise designating, and the furniture by using an ordinary druggist's label on which are the numbers, to be pasted on the underside or in one of the drawers.

When these articles are once valued and entered separately by number and valuation in the inventory, an excellent record is furnished to check up this class of property, as each article retains its identity by its particular number.

Be just to yourself in taking inventory, for no man is as big a fool as one who deliberately fools himself.

CHAPTER VIII

Percentage

THE written sign is %.

Percentage is understood by thousands, but the fear that someone may read this who has had no opportunity of previous explanation is the excuse for the following:

"Per cent," which is a contracted Latin phrase, translated, "by the hundred," or percentage is the rate or proportion of the number of parts in a hundred, as ten per cent is ten of the hundred, etc.

If you buy a lot of eggs, say 200
and find bad ones amounting to 40
and the remainder, 160, are good.

Divide the bad eggs — 40 — by 2 (the number of hundreds in the lot) = 20 or 20%.
Divide the good eggs — 160 — by 2 (the number of hundreds in the lot) = 80 or 80%.
One per cent (1%) of the 200 is 2.
Twenty per cent (20%) " " 200 is 40 or 2 × 20.
Eighty per cent (80%) " " 200 is 160 or 2 × 80.

Rule to Figure Percentage

To find what percentage a smaller is of a larger number, divide the smaller by the larger after adding two ciphers to the smaller, reducing it to hundredths.

But in figuring percentage in our money, we use only the even dollars (counting as one dollar any amount over a half dollar) in the larger amount and divide this into the full number of cents in the smaller, because we wish to know how many cents (or hundredths of a dollar) the smaller amount has to one dollar in the larger.

To find what percentage is the net profits..... $2,796.25
Of the sales for the year..... 30,957.80
divide the cents 279625 in the net profits
by the dollars 30958 in the sales.

```
30958)2796.25(903 — or 2796.25 is 9.03% of 30957.80
      278622
      ------
        100300
         92874
        ------
          7426
```

Or, divide the cents in the profits by the dollars of the sales to find out *how many cents* profit there is on *one dollar* of sales.

Rule for United States Money

The rule is use even dollars to divide the even cents to find what the percentage of one sum of money is of another.

Dividend

On investments, such as stocks or bonds, the amount of dividends or earnings paid, are referred to as the percentage paid on the *par value* of the principal.

Interest

Interest on a Real Estate loan is also calculated at a percentage of *that loan.*

Bank Discount

Interest charged by a bank for a loan is collected at the time the loan is made, or termed discount, and deducted at once and only the proceeds available by the borrower.

That is, if you have your note, January 1, 1916, for $1,000.00, payable four months after date, discounted by your banker at 6%, he will

deduct 121 days at 6% — 20.17	$20.17
and credit your account or pay you the proceeds . .	979.83
and in four months you pay your note	$1,000.00

This rule is universal among banks, and the example cited, that you may know how to check or prove such calculations.

What is Percentage of Profits

In the case above the percentage is on the investment, but when we speak of percentage of profits, it is not a percentage on the amount invested in goods which are only part of the sales, but upon the sales, which is the basis on which the Government figures when reporting on Imports and Exports— the basis on which many salesmen are paid, the basis on

which a commission house will charge for selling your produce, the basis on which a city may license a jobber or manufacturer for the privilege of doing business.

Error in Figuring

Some merchants may know at the end of the year what proportion of sales is net profits and what is expenses, yet in selling goods, lose sight of the principle of figuring, and instead of figuring percentage on the price for which an article will sell, add a percentage to the cost of the article.

The Wrong Way to Figure Selling Price

For example, a merchant whose expenses are 25% of sales, intending to price his goods to net him a profit of 10%, buys a

machine which costs	$97.00
He pays freight	3.00
	$100.00
He adds to this cost 25% for expenses.	
10% for profit.	
a total of 35%	35.00
Making selling price	$135.00
But the machine cost	$100.00
he must meet his expenses, 25%, on sale, $135.00	33.75
Consequently the cash invoice price and expenses	$133.75
For which he only receives	135.00
and makes as profit only or not quite 1% on this sale	$1.25

The Correct Way to Figure Selling Price

If he had observed the proper method of figuring and taken the selling price instead of the cost price as his basis of percentage, he would have made the selling price $153.85.

If his percentage of expenses is 25% he should remember that out of every dollar received as sales, he must spend 25 cents to pay his expenses of doing business, and of every dollar of sales the remaining 75 cents must be sufficient to pay the cost of the goods and still leave 10 cents or 10% for his net profits.

He should figure in this case that he must apportion for

Cost of goods	$0.65
For expenses	.25
For net profit	.10
For every dollar of sales	$1.00

and as the goods costing 65 cents must sell for $1.00, the cost of the goods is 65% of the sale. The cost of the machine, $100,00, is only 65% what it should sell for, therefore, we divide one dollar by 65 cents to find what per cent 100 is of 65.

If a sale is divided into 100 equal parts, or	100%
and if your expense is 25 of these parts, or	25%
and your desired profit is 10 of these parts, or	10%
then the balance or cost of goods is 65 parts, or	65%

As all these hundred parts are each one equal to the other, the question is simply to find out the value of one part, which is done by dividing (in this case) $1.00 by 65, and to know what 100 parts, or the selling price, amount to, multiply one part by 100.

Example

```
65)$1.00(1.5385, or $1.5385 = $1.00, cost of goods,
    65          and $153.85 = $100.00, cost of goods.
   ----
    350
    325
   -----
     250
     195
    -----
      550
      520
     -----
       300
```

Proof: Machine cost	$100.00	
25% of sale, $153.85, is	38.46	= expenses.
10% of sale, $153.85, is	15.39	= profit.
Selling price is	$153.85	

or,

Rule

Stated again, if sale is divided into 100 equal parts, or	100%
If expense of doing business is 25 of these parts, or	25%
And you desire to keep as your profit 10 of these parts or	10%
There must be for this purpose, expense and profits,	35%
and the balance, 65 parts, is the cost of the goods, or	65%

as all these parts are each equal one to the other, the question is simply to find out what is the amount of one part, which is done by dividing the

value of the 65 parts or cost price by 65 (the number of parts) and to find the amount of selling price, which is 100 parts — multiply the value of one part by 100.

Example

If your expense of doing business is 27% of your sales and you desire to make a profit of 12% on your sales, what would be your selling price of goods costing $1.22?

Deduct expenses	.27	
and profit	.12	
	———	39% from 100% = 61%.

Then $1.22 is 61% of selling price, or 1.22, is the value of 61 parts. 1.22 divided by 61 is 2 dollars, the selling price.

Proof:	Expenses, 27% of 2.00 =	.54	
	Profit, 12% of 2.00 =	.24	
	Cost	= 1.22	
		——	$2.00

Percentage Figures Handy

It may be well to note on the last page of your ledger or some other convenient place, the percentage of your expenses, with date, as the percentage may change from year to year. With the memorandum handy for reference you can at any time figure the selling price of goods arriving.

Of course, a book is kept in which daily, monthly and yearly sales are recorded, for comparison (Fig. 16A), and unless you wish the percentage of expenses kept from the gaze of others, this percentage, with the amount of expenses, may be written just at the bottom of the page on which the yearly sales are footed.

Expenses

Expense Account Subdivided

If so desired Expenses may be separated into:

a. Buying Expense — To which account is charged all Expenses of the buying department, such as a proportion of the salary of the proprietor or manager, wages of all clerks in that department, or proportion of wages of those partially engaged in the work and any other expense belonging to that branch.

Relative Percentage on Sales and on Cost

SALES	COST	SALES	COST	SALES	COST	SALES	COST	SALES	COST
15 %	= 17.65	22	= 28.20	29	= 40.84	36	= 56.25	43	= 75.44
¼	= 18.–	¼	= 28.61	¼	= 41.34	¼	= 56.86	¼	= 76.25
½	= 18.34	½	= 29.03	½	= 41.84	½	= 57.48	½	= 77.–
¾	= 18.64	¾	= 29.45	¾	= 42.35	¾	= 58.10	¾	= 77.77
16	= 19.–	23	= 29.87	30	= 42.86	37	= 58.73	44	= 78.57
¼	= 19.40	¼	= 30.29	¼	= 43.37	¼	= 59.36	¼	= 79.37
½	= 19.76	½	= 30.71	½	= 43.89	½	= 60.–	½	= 80.18
¾	= 20.12	¾	= 31.15	¾	= 44.40	¾	= 60.64	¾	= 81.–
17	= 20.50	24	= 31.58	31	= 44.92	38	= 61.29	45	= 81.82
¼	= 20.85	¼	= 32.01	¼	= 45.45	¼	= 61.94	¼	= 82.65
½	= 21.21	½	= 32.45	½	= 45.99	½	= 62.60	½	= 83.49
¾	= 21.58	¾	= 32.89	¾	= 46.52	¾	= 63.26	¾	= 84.33
18	= 21.95	25	= 33.13	32	= 47.06	39	= 63.93	46	= 85.19
¼	= 22.32	¼	= 33.78	¼	= 47.60	¼	= 64.61	¼	= 86.05
½	= 22.70	½	= 34.23	½	= 48.15	½	= 65.29	½	= 86.91
¾	= 23.08	¾	= 34.68	¾	= 48.70	¾	= 65.97	¾	= 87.79
19	= 23.45	26	= 35.14	33	= 49.25	40	= 66.73	47	= 88.68
¼	= 23.84	¼	= 35.59	⅓	= 50	¼	= 67.36	¼	= 89.57
½	= 24.22	½	= 36.05	½	= 50.38	½	= 68.07	½	= 90.48
¾	= 24.61	¾	= 36.52	¾	= 50.94	¾	= 68.78	¾	= 91.38
20	= 25.–	27	= 37.–	34	= 51.52	41	= 69.49	48	= 92.31
¼	= 25.40	¼	= 37.46	¼	= 52.09	¼	= 70.21	¼	= 93.24
½	= 25.77	½	= 37.93	½	= 52.67	½	= 70.94	½	= 94.17
¾	= 26.18	¾	= 38.41	¾	= 53.26	¾	= 71.67	¾	= 95.12
21	= 26.58	28	= 38.89	35	= 53.85	42	= 72.41	49	= 96.08
¼	= 27.–	¼	= 39.37	¼	= 54.44	¼	= 73.16	¼	= 97.04
½	= 27.39	½	= 39.86	½	= 55.04	½	= 73.91	½	= 98.02
¾	= 27.80	¾	= 40.35	¾	= 55.65	¾	= 74.67	¾	= 99.–
								50	= 100.–

Fig. 15 — Relative Percentages

	Sales by Months & Years		
	1916	1917	1918
Jan	3 240 00		
Feb	2 765 00		
Mch	2 245 00		
Apl	2 200 00		
May	2 285 00		
June	2 225 00		
July	2 115 00		
Aug	2 275 00		
Sept	2 500 00		
Oct	2 745 00		
Nov	2 950 80		
Dec	3 412 00		
		%	
Total	30 957 80		
Increase	4 260 00	15%	
Decrease			
Expense	6 717 22	21.70	
Profits	3 063 76	9.9%	

Fig. 16A

	December		
Day	Cash	Charge	Total
1	38 70	67 40	116 10
2	45 42	80 75	126 17
3	—	—	—
4	35 14	66 20	99 34
5	41 85	53 75	95 60
6	34 23	68 00	102 23
7	37 35	90 05	127 40
8	36 06	74 10	110 16
9	63 50	80 50	144 00
10	—	—	
11	42 60	75 10	117 70
12	37 22	80 80	118 02
13	51 10	95 00	146 10
14	33 35	97 70	131 05
15	46 10	94 00	140 10
&c			

Fig. 16B

b. Store Expense — Rent, light, heat, repairs, taxes and insurance accrued, telephone, washing windows, sweeping, etc.

c. Office and Management Expense — Proportion of proprietor's or manager's salary, wages of office force, stationery, office supplies, etc.

d. Selling Expense — Wages of all salesmen, advertising, proportion of proprietor's or manager's salary and any other items belonging to this account.

e. Delivery Expense — Wages of driver and boys, expense and care of teams, trucks, stable or garage and such other expenses properly chargeable to this account.

The proportionate distribution of salaries may be arrived at by estimating the time that anyone is employed in the different departments.

Thus, if three-fourths of the time of one clerk was taken up by selling goods and one-fourth packing and shipping — the distribution could be made on the pay roll as charged, three-fourths to Selling Expense, one-fourth to Delivery Expense. (Fig. 39, page 135.)

In subdividing the Expense Account as above, separate ledger accounts are opened for each, and charges posted as usual, and at the end of the month cross entries are made crediting each with the total charges to its account for the month and then charging the total of all expenses to the account, "*General Expense,*" by means of a journal entry.

It is advisable to map out your system or determine just what subdivision of Expenses is to be followed and continue the same classification, when possible, so that in the months and years to follow you may have the same class of Expenses grouped and by comparison be better able to judge whether in line or out of proportion.

CHAPTER IX

Books for the Retailer—Set 2

IF you would know how much you owe, how much is due you, how much you have made, etc., a simple, inexpensive set of four books should give you these particulars.

Cash Book

One would show the dates and amounts of cash received and from whom, the dates and amounts paid out, for what and to whom, and all such entries should be in this book called the Cash Book.

The Cash Book, which furnishes or should furnish a complete record of cash transactions, is one that may at once refresh the memory of a complainant should a dispute arise. (Figs. 21, page 92; 22, page 93; 32, page 126; and 33, page 127.)

Sales Book

One a list of charge sales or bills sold to be paid at some future date, serially by date, by name, by address, and by amount, and usually by salesman and his order number, called the Sales Book or Sales Journal. (Fig. 23.) The customers' accounts are charged and posted from Sales Book to their accounts daily and the total credited Sales Account at end of the month.

It is possible to use part of the regular journal for charge sales, but the small outlay, about $1.00, will amply repay you for the convenience of having one book solely for charge sales.

Journal

Another book in which is kept a record of purchases by date, amount, name of seller, and for such other entries that are not cash nor charge sales. (The Journal, Fig. 20, page 90.)

Ruled Up Each Month

These three books are regularly ruled up at the close of each month to separate the transactions of one month from another, and other advantages.

Ledger

The last of the four suggested is the ledger used for summing up each class of accounts, and to show the condition of each open account on your books, and may be small or large, plain or elaborate, ~~A and B~~, as you may desire to choose from any stationer's stock. (Figs. 24, page 74; 25, page 95; 26, page 96; 29A, page 100.)

Sales Tickets

Sales tickets of numberless varieties are carried in stock by those houses which make a specialty of such work, and are not expensive. (Figs. 3A, page 17; 3B, page 19.)

With such an outfit, costing about $15.00 or less, you could answer any reasonable question about the financial or material condition of your business, except, possibly, the exact quantity or value of stock on hand, which can only be accurately arrived at by taking an inventory, which should never be at longer intervals than one year.

Estimating Stock on Hand

If, however, your profits have had a uniform average, for several years, you might come quite close in your figures of amount of stock on hand by adding to your inventory of the first of the year —

All purchases of merchandise since.....
And from this total deduct your sales.....

from which you have first deducted that percentage which we call gross profit (or expense and your average net profit). See percentage, page 57.

The advantages of a correct and simple system are so self-evident, the cost of the books so insignificant, and the time to study these few pages so brief, that it should appeal to any merchant who would prefer to be in that class of five who succeed rather than in the company of the ninety-five who, by reliable statistics, are known ultimately to fail or give up.

A small set of books of the kind described will be used to illustrate the system.

Our Work Starts. Set No. 2

Let us suppose that Robert Bell & Co. took inventory December 30, 1915, last year. All entries were properly made and balances brought forward on November 30, 1916, and from that date or on December 1st our labors commence. (Fig. 19, page 89.)

In this case, Robert Bell keeps a diary of daily transactions in past year, styled a Day Book, and has an outside bookkeeper come to the store one evening in the week and write up his books. (See pages 76 to 82.)

Bell preserves all receipts and documents necessary to check his memoranda.

To close up the year's business it is necessary to have a record of property on hand at the beginning of the business year, or the inventory, and a record of purchases, etc., since.

Trial Balance to Start This Set

The trial balance as of November 30, 1916, shown here will be taken as correct, and the inventory balances of January 1, 1916, will appear in merchandise account. (Fig. 24, page 94.) (See Fig. 19, page 89.)

Trial balance November 30 — Robert Bell & Co. (Set No. 2.)

Closing Explained

If we know how much the stock amounts to at the beginning of the year, and the cost of goods bought since, we deduct the present inventory or all of the goods that now remain unsold, and the remainder is the cost of all the goods which were used during the year for sales.

If we know the cost of goods used, and the expense of buying, housing, handling, and selling, together with the depreciation and losses, in fact, the total expense of doing our business, and deduct this total cost of goods used together with the total expense, from the sales, the remainder will be the net profit.

The difference between the cost of goods used to make sales, and the sum which those sales amount to, is termed the gross profit, out of which must be paid the expenses.

For example, see "Merchandise" and "Trading Account." (Figs. 29A, page 100 and 29B, page 101.)

If our inventory January 1st was		$3,967.80
and our purchases Jan. 1st to Nov. 30th	$20,042.23	
and our purchases in Dec....	1,353.41	
Total purchases		21,395.64
or a total cost of goods.....		$25,363.44
and we deduct goods now on hand per inventory		4,185.62
it leaves cost of goods used for the year's sales		$21,176.82
which we deduct from total sales of.....		30,957.80
Leaving gross profit.....		$9,780.98=31.60% of sales

From this gross profit must be deducted all expenses			6,717.22	=21.70% of sales
Leaving net trading profit			$3,063.76	= 9.90% " "
From this trading profit we deduct interest on capital		$360.00		
Less profit made on discount	$36.60			
Less profit made on Bray Cons't	55.89			
		92.49		
			267.51	
showing total net profit or gain			$2,796.25	= 9.03% " "

(See page 99.)

Comparative Sales Record

Books are usually carried by stationers with a great variety of rulings, 2, 4, 6, 8, 10 and 12 columns, and are not expensive.

It may be well to select one of six or eight columns, which may be used to keep a comparative record of daily, monthly, and yearly sales; though there is a small book published with rulings and headings for the purpose.

See Record of Monthly and Yearly Sales. (Fig. 16A and B, page 61.)

CHAPTER X

Partnership

IN writing up this set of books, the month of December, 1916, is chosen.

Robert Bell has had a prosperous business and concluded to grant the request of his clerk, A. L. Davis, who had served him long, faithfully and with good judgment, to take him into partnership, commencing January last.

Partnership Agreement

Bell had $5,000.00 invested, and Davis could raise $1,000.00 cash, so an attorney was instructed to draw up a partnership agreement. Among the clauses it was agreed to divide the net profits as shown by the books upon closing each year, five-sixths to Bell, one-sixth to Davis, allowing each 6% interest on his investment, providing that Bell receive $25.00 and Davis $15.00 per week salary.

Selling prices were to be calculated upon the basis of the average of the last two years' expenses.

The inventory at the beginning of the year showed goods on hand at inventory cost of $3,396.80 (Merchandise Account, Fig. 24, page 94), and business was conducted along the lines Bell had found successful, until Nov. 30th, when the transactions are taken up in detail and hereafter continued until the closing of the year's business.

The usual transactions taking place upon the books of the average retailer are shown, and it might be well (or advisable) to check each entry as mentioned and follow it through to last posting, that familiarity with the methods pursued may be more easily acquired.

Duties of Partners

Bell is the active manager and among his duties are passing upon or determining whether the credit of charge customers is satisfactory, ordering all goods and supplies, of course, consulting those most qualified to suggest, and such other general duties as belong to that position.

Davis is assistant manager, and, in the absence of Bell, takes over his duties. Both, of course, are active in waiting on customers.

Duties of Clerks

Cashier

M. E. Denny is bookkeeper, cashier, and office clerk, and about 2:30 every afternoon counts and balances the cash, compares cash sales list, deposits all checks and surplus cash in bank, reserving the usual $20.00 cash for change in the drawer. Balancing cash is comparing the balance shown by the Cash Book (the difference between the two sides) with the cash on hand, which should agree. Cash on hand is the total amount in bank and cash drawer.

Entering Cash Sales

The amount of cash sales then shown is entered up on the Cash Book, and any cash sales made later are counted in the next day's results.

The charge sales sold and billed up to closing time are, however, entered for that day.

To O. K. Orders

Orders for goods to be charged are submitted to Mr. Bell, for his approval, these orders O. K.'d, then are passed to the clerk whose duty is to fill, and after that the duplicate of each is sent to the office for entering in the sales book, the original goes with goods to customer if delivery is made by driver, but mailed if shipped out of town.

Entering Charge Sales

The carbon copy, which is the duplicate of the bill, of course, is checked, if not already done, as to extension and footing, by the bookkeeper, and then entered on the sales book, using but one line for date, name, address, salesman's initial or name, his order number and the amount of the bill. (Fig. 23, page 91.)

Monthly Statements

At the end of the month, if necessary, send statement, only dates and amounts of bills, and total of account with any credits that should be on the account, which the customer may check from the bills he has had, rendered when sale was made. There should be no necessity of itemizing monthly statements, if the customer understood that he should retain his bills for checking his statement, and by so doing avoid much unnecessary work and long hours by the bookkeeper.

Statements Kept Written Up

It is customary in one large store with which I am familiar, to head all statements as bills are bought, and add such other charges, taking the figures from the sales tickets and continuing until the end of the month, then comparing with ledger and entering balance due and unpaid on the

first of the month as well as cash paid on account during the current month. In many houses the bookkeeper is instructed to hand the manager a list of all past due accounts, giving name, due dates and amount. From this list they are entered on the Diary for dunning.

This comparison is an excellent check on the charges, the footing, etc., and proves a splendid aid in catching any errors made in posting and footing customers' accounts in the ledger.

Many customers call and pay their bills before the end of the month, and, as all statements are written up except the cash paid and the footings, it takes but a moment to compare with ledger and hand out the statement. Such promptness always pleases.

Returned Goods

When goods are returned for any reason, an occurrence which, unfortunately, cannot always be avoided, a credit memorandum is made out showing name of customer, date, articles, and amount; why returned, and when possible, the date of purchase. This memorandum referred at once to Mr. Bell, for his approval. If passed, the customer is paid the amount, if on a cash sale, or, if on a charge sale, is, through entry in the journal, credited his account and charged sales. As the goods came from stock through sales, which account was credited when charged to customers, they are now charged back (Figs. 20, page 90 and 34, page 129) to sales and go into stock to be accounted for by stock or merchandise at end of the year, when closing entries are made. If goods are spoiled or unsalable the loss will show in the round-up of closing entries.

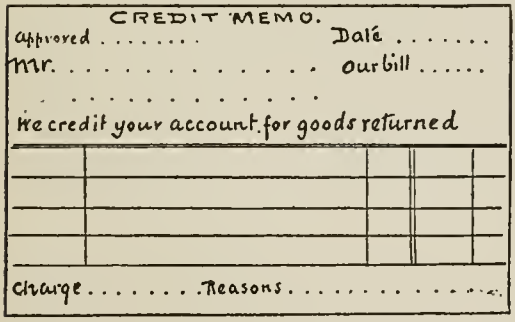

CREDIT MEMO.
Approved . . . . . Date . . . . . .
Mr. . . . . our bill . . . . . .
. . . . . .
We credit your account for goods returned
Charge . . . . . Reasons . . . . . .

FIG. 17A—Printed on distinctively tinted paper, that it may be noticed at a glance. Put up in blocks of 50 sets, original and duplicate.

Buying

A requisition, or Purchase Order (such as may be bought from any good stationer) is made out in duplicate, by carbon, and mailed to the wholesale house when ordering goods, unless bought through a traveling salesman at the store; should be the list by articles and price, and also time wanted and shipping instructions. Each requisition is numbered and the shipper requested to put that number on each package shipped on that order, and also put the number on his bill of lading and invoice to facilitate identifying the shipment on arrival and checking, which is done by comparing with the duplicate pur-

chase order, retained. All correspondence about any invoice should refer to the purchase number for identification.

Buying Through Salesmen

When bought through a salesman he should write the order in his order book and sign the carbon copy, retaining the original for his house.

PURCHASE ORDER _____ 19__ REQN Nº 1970

MESSRS _____

_____

PLEASE SHIP AT ONCE THE GOODS BELOW VIA _____
PLACING OUR REQUISITION NO. ON INVOICE, B/L AND EACH PACKAGE

QUANTITY		ARTICLES AND DESCRIPTION	PRICE		PER

ADVISE PROMPTLY IF UNABLE TO SHIP AS ABOVE THAT WE MAY ORDER ELSEWHERE

VERY TRULY BELL & DAVIS

SMITHVILLE, MO By _____

Fig. 17B — Purchase Order.

Checking Invoices by Count and Weight

Should any difference arise as to article, price, terms of shipment or substitution, which needs correction, note at the time on the invoice while checking, in the spaces of the rubber stamp impression (Fig. 5, page 25[illegible]), and advise the shipper at once, that it may be speedily explained, and quickly and satisfactorily adjusted, which is always appreciated by reputable houses, and willingly complied with. Delay, or postponement on your part makes tracing by the seller difficult as time rolls on, and evidence is lost sight of. Failure to mention a difference until your remittance shows the deduction, which possibly is not then fully explained, leads to unfavorable criticism, and oftentimes, friction, which otherwise would have been avoided.

After checking the invoice it is entered in the journal to the credit of the seller and charged or debited merchandise.

Pay Promptly

If your bank account warrants paying the invoice within the ten days in which to take advantage of the discount terms, enter on your diary the

name of seller, date of invoice, and amount, on the page of day to be paid, but to retain your good name for fairness, be sure to calculate the mails' delay, that your check arrives within the contract time.

Diary for Memorandum of Due Dates

If the bill is to run to maturity enter on your diary on the page of the day to be remitted, allowing, of course, for delay in transit.

Punctuality in paying your bills when, and not after, they are due, establishes your record, and should favors be asked, is a potent factor in influencing the decision.

Other Uses

The usual diary serves many purposes of convenience and time saving; it shows bills to be paid, notes falling due, insurance expirations, engagements to be kept, contracts to be renewed, slow accounts to be collected, etc., etc. These can be jotted down in pencil for daily examination, and help avoid many omissions of important matters, and are not solely trusted to memory. Never burden the mind with facts which can be carried on your diary; save the "gray matter" for such as cannot be so tabulated.

Pay Roll. (Form 39)

If the employees are few, a page in the back of the journal may be used to record date of engagement, position or duty, name and amount to be paid weekly, or, otherwise; such a record has saved many disputes. If the force is large, get a regular time book which may be found in stock at any dealer in books. From this book you can make up your pay roll, putting each man's wages in the envelope and charging the total amount in one item on the Cash Book as wages paid.

Putting up Pay Roll

If suitable change is prepared and the exact amount of the total pay roll is placed on the desk, the last envelope to be filled should exactly agree; there is no check on correction of amounts enclosed if filled from the cash drawer and no safeguard is provided.

The proper method is to draw a check for the total pay roll, specifying what denominations the banker is to give you, and keep the transaction separate from the house cash.

Petty Cash

A good rule is to deposit daily all cash received, pay all bills, except petty expenses, which is known as Petty Cash, by check, keeping about $20.00 or $40.00 for change. In this way you can easily check up the

bank account and always know your balance, which should agree in both Cash Book and Check Book.

Old Way

The antiquated method of keeping any sum from $20.00 or any odd amount up to several hundred dollars in the cash drawer from which you pay, and to which you add as the amounts come in, balancing once a month, or as it might occur as a favorable time to do so, has resulted in more errors, temptations, disputes and ill feelings than any other part of business.

Proper Way

The approved way is to place a certain even sum in the cash drawer, sufficient for change, and for petty expenditures, and when making the daily deposit leave that sum, so that at any time if no other cash is taken in, the amount in the drawer, either in money or in money and tickets, shall always be the even amount so reserved.

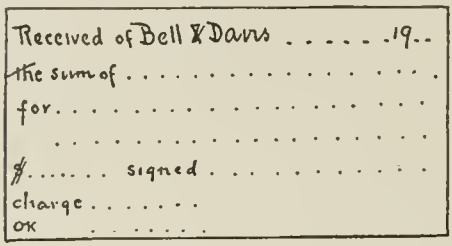

Received of Bell & Davis . . . . . 19..
the sum of . . . . . .
for . . . . . .
. . . . . .
$. . . . . signed . . . . . .
charge . . . . . .
ok . . . . . .

Fig. 17C
Petty Cash Ticket

All petty expenditures are on a regular form made out, dated and signed by the person to whom paid, and for what purpose. If the business is large or the expenditures grow they may be classified and listed on the back of the last ticket and charged to such accounts instead of Expense and brief explanation on cash book such as "Mdse.," for Expressage paid, "Sales," telegrams from salesmen, Advertising, for postage on circulars, etc., etc.

Petty Cash Ticket

Petty Cash Ticket for disbursing small amounts, usually made of tinted or cheap manila paper and in blocks of 50.

At certain intervals, usually once a week, frequently daily, or at any convenient time, the tickets are listed, amounts footed and for what expended, a check is made out for total of that sum, the cash drawn from bank and replaced in the drawer. The amount is charged on the Cash Book, debiting Petty Cash per tickets, and figures carried to the expense column. (Fig. 22, Expense col., page 93.)

Balancing Cash

Usually the cash is balanced when the deposit ticket is made up and the cash and tickets remaining are a good check on amount so received.

Advances on pay roll should be discouraged; as each clerk is paid weekly, his earnings should suffice for his needs.

Consigned Goods

Produce to Commission Houses

Many country merchants buy poultry, produce, etc., for shipment to some commission firm in a larger city, to be sold for their account. Such a shipment is not a sale and its ultimate value can only be determined when the account of sales, or report on same, is received from the firm to which such goods are consigned.

Instead of charging to sales, it is usually charged (Consignment account of ..... [the name of firm to whom consigned]) and kept separate from customers' accounts, which are sales. (Fig. 24, page 94.)

As a consignment is of a speculative nature, any profit should be kept separate from the regular trading profit, or the profit made on buying and selling in the regular course.

Tracing Each Shipment

The goods consigned to one house are shipped, each shipment numbered or lettered, and memo. bill marked with that distinguishing letter, which is also noted in the debit on the ledger, and proceeds or check from the commission firm so indicated as received, that the charges and corresponding credits may each be checked off and at a glance show how they stand, either a profit or a loss. This makes the account easy to check and conclusive in results. (See Ledger account, Bray consignment account, Fig. 24, page 94.)

Bills Receivable

To be Numbered

Be sure to number every note received, usually starting at 1 and continuing 2, 3, 4, etc., as received, and use that number in addition to any other description whenever the note is entered as received or paid, and by this means, the identity of each note can be easily established even though there are many notes of the same amount. Each one would have a different number, and as the number also is entered on the ledger, both when debited and credited, a small check against the credit and corresponding debit in the ledger will show those not so ticketed as still unpaid and prove a satisfactory checking of the account.

Due Date to be Watched

Always enter on your diary on the date due of each note, the number, name of maker, and amount, that it be not overlooked if not paid.

Bills Payable

The same little book, termed a " Bill Book," page 165, used for Bills Receivable also, has pages ruled and headed for record of Bills Payable, made by you, giving date,— number,— favor of,— for what,— time to run,— when payable,— date due and amount as shown in Fig. 170. run,— when payable,— date due and amount. (Fig. 55.)

BILLS PAYABLE									
Date	No.	Maker or drawer	Favor of	Where payable	Amount		Time	Due	Remarks
Nov 29	25	Eno How Co	Henrichsen	4th Nat'l Bk	158	20		Jan 28	Inv. 11/29

Fig. 55 — Bill Book

These notes also should be numbered and entered in the diary on the page of date due.

If only an occasional note is given or a bill receivable taken, there is no need for a special book of record, as the ledger may then be sufficient, because the note numbers are stated in the entry on posting of each one.

Notes the Most Particular Class of Debts

Always bear in mind that your notes are the most important class of debts due by you, and must be promptly paid when due.

They are in this respect not like debts due on open account for merchandise, even though bought to be paid on a fixed date.

Must be Paid Promptly

Notes must be paid on date promised, or your name suffers by protest.

Debts due for merchandise should be paid when due and are just as sacred, in fact, as notes made by you, but in the latter case the exact date of payment is agreed and fixed by your written promise, while in the former, a day's delay does not have the same legal consequence.*

A certain amount of capital is necessary to carry on any business, but character is the most valuable asset of a merchant. Performance not promises make a reputation, and when experience has proved to others that his word is as good as his bond, he will find fewer obstacles to success. The Golden Rule still sums up the whole code of good business and cannot be improved.

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* For the accounts as written up, see Figs. 19 to 29D, pages 89 to 102.

CHAPTER XI

Robert Bell & Co's Books

IF we are to follow the different business transactions of Robert Bell & Co. during the month of November, it may be well to put them in diary form or somewhat like the "Day Book," which was used many years ago.

Any merchant who cannot keep his own books could jot down the daily transactions as below and have some outside bookkeeper come in one or two evenings each week and write the books up, which means making the entries in proper form, and then posting to the right accounts; at least, until the merchant could master the problem and do this work himself or have it done by one of his regular clerks. The Trial Balance, page 89, had been prepared by the bookkeeper.

The diary or records made by Bell as shown on the following pages are jotted down as they occur on the left-hand page of an ordinary "day book," which may be found in any book store, stated in his own way and language and later used by the visiting bookkeeper in writing up the books. (See Figs. 18A to 18G, pages 16 to 82 inc.)

That Mr. Bell may be able to understand where and how these entries have been made, and check them off if need be, the bookkeeper states on the page opposite each memorandum of Bell's the book and page of same on which the entry may be found.

If the reader is interested in following the entries or wishes to familiarize himself with the manner of entering, posting, etc., he will find this exercise will materially aid him in following the accounts, and very soon be able to know where such entries belong without depending on the bookkeeper's explanation. As an experiment follow the first two pages of the diary, then endeavor to locate the book and page of the entries which should be made of Bell's next sheet, putting down on a sheet of paper just how you would enter and then compare the result.

If mistakes are made follow the entries of the next page of the diary and the explanation and try to properly locate the entries on the page following. Instead of being a dry lesson you may find it an interesting game.

Bells Diary SET No 12 (1)

Bells memo			Disposition by bookkeeper		PAGE
Friday Dec. 1st 1916					
Sold A. Safford bill	67	40	From Carbon Copy Entered Sales Bk		47
			posted to Safford's debit	Led	217
Cash Sales listed, compared with Cash in drawer & deposited in bank	38	70	Credited Sales	Cash Bk	202
Saturday Dec 2d					
Sold B. Sanders bill	80	75	Entered on	Sales Bk	47
			posted to Sanders debit	Led	218
Sent ck to Eaton Gro Co deducted disct for their bill 11/25	349	84	Ent'd 349.84 amt paid Col	Cash Bk	203
	7	14	7.14 Disct " "		
	356	98	356.98 Funds " "		
			posted 356 98 to debit Eaton	Ledger	51
Ck to Owen R. E. Co - rent of Store for Dec	75	00	chg'd in Expense Col - "Rent"	Cash Bk	203
Ck Pan Insurance Agency prem of policy 1500.00	30	00	chg'd Insurance - Fund Col	Cash Bk	203
			posted debit Insurance	Led	31
Made up Pay Roll for Week drew ck - got money from bank & paid	84	50	chg'd Expense Col - + Wages -	Cash B.	203
Listed Petty Cash tickets in drawer, drew ck got money from bank & replaced amount in drawer	8	70	chg'd Expense - Petty Cash	Cash Bk	203
Cash Sales listed compared & deposited	45	42	Credited Sales	Cash Bk	202
Monday Dec 4th					
Recd from Ben Ackers ck on 4 nat receipts his bill & deposited ck in bank	100	25	Credited Ben Ackers on	Cash Bk	202
			posted to his Credit	Led	102
Sold C. Savage bill	66	20	charged on	Sales Bk	47
			posted debit of Savage	Led	219
Cash Sales listed compared and deposited in bank	33	14	Credited Sales	Cash Bk	202

FIG. 18A — Robt. Bell Co.'s Diary.

2

Bell's Diary Continued Set No 2

Bell's memo			Bookkeeper's notations		Page
Tuesday Dec 5th					
Recd of Chas Adams ck on Local Trust Co	95	25	credited Adams on posted to his credit	Cash Bk Ledger	202 103
Sold D. Saylor bill	53	75	chg'd on posted Saylor's debit	Sales Bk Led	47 220
Cash Sales listed, compared &c	41	85	Credited Sales	Cash Bk	202
Wednesday Dec 6th					
Recd of Dan Adger ck Citizens Bk	80	75	Credited Adger on posted to his credit	Cash Bk Led	202 104
Sold E. Scott bill	68	00	chg'd on Sales Book posted Scott's debit	Led	47 221
Cash Sales listed, compared &c	34	23	Credited Sales	Cash Bk	202
Thursday Dec 7th					
Sold F. Selby bill	90	05	chg'd on posted Selby's debit	Sales Bk Led	47 222
Cash Sales listed, compared &c	37	35	credited Sales	Cash Bk	202
Friday Dec 8th					
Recd of Fred Agee ck 4 nBk	121	95	Credited Agee on posted to his credit	Cash Bk Led	202 106
Recd of Geo Akins ck 4 nBk	85	60	Credited Akins on posted to his credit	Cash Bk Led	202 107
Sent ck to Eggers F. G. Co deducted Disct paying their bill 11/5	196 4 201	89 47 36	Ent'd in Amt paid Col " " Disct chg'd Eggers Sundr posted Eggers debit	Cash Bk " " Led	203 53
Sent ck to Ely Shoe Co deducted Disct paying their bill 11/28	74 2 77	83 31 14	Ent'd in Amt paid Col " " Disct chg'd Ely Sundrs posted Ely's debit	Cash Bk " " Led	203 54
ck to Typo Stationery Co Bills Letter heads &c	28	80	chg'd Expense Col	Cash Bk	203
ck sent Enno Hdw Co 11/ deducted disct paying their bill 11/29	155 3 158	00 16 20	Ent'd in Amt paid Col " " Discount chg'd Enno Sundr posted Enno's debit	Cash Bk " " Led	203 55
P'd Thos Parker for 30 Doz Eggs	5	40	chg'd Mdse on	Cash Bk	203

FIG. 18B — Robt. Bell Co.'s Diary.

Bells Diary Continued set no. 2 — 3

Bells memo.		The bookkeeper notes		Page
Saturday		**Dec 9th**		
Recd from Henry Alden ck on Locke Trust Co	130.45	Credited Alden on posted to his Credit	Cash Book Ledger	202 108
Sold N. Sexton bill	80.50	Entered from carbon copy on posted to debit of Sexton	Sales Bk Led	47 224
Pay Roll for week made up check drawn & cash paid	84.50	Charged in Expense Col. Wages - C.B		203
Cash Sales listed Compared &c	63.50	Credited Sales on	Cash Bk	202
Petty Cash tickets listed &c	8.25	Chg'd in Expense Col Petty Cash &c	CB	203
Monday		**Dec 11th**		
Sold J. Shands bill	75.10	Entered from Carbon Copy on posted to debit of Shands	Sales Bk Led	47 225
Cash Sales listed, Compared &c	42.60	Credited Sales on	Cash Bk	202
Ck to Towel Service Co clean towels &c in Nov.	4.10	Chg'd in Expense Col	Cash Bk	203
Ck to Orphans Bazaar. tickets	5.00	Chg'd in Expense Col	Cash Bk	203
Tuesday		**Dec 12th**		
Sold J. Sharp bill	80.80	Ent'd from Carbon Copy on posted to debit of Sharp	Sales Bk Led	47 226
Recd of Isaac Allen ck on Citizens Bk	115.45	Credited Allen in posted to his Credit in	Cash Bk Led	202 109
Cash Sales listed, Compared &c	37.22	Credited Sales in	Cash Bk.	202
Wednesday		**Dec 13th**		
Sold K. Shaw bill	95.00	Ent'd from Carbon Copy to posted to debit of Shaw	Sales Bk Led	47 227
Cash Sales listed, Compared &c	51.10	Credited Sales on	Cash Bk	202
Thursday		**Dec 14th**		
Sold L. Shea bill	97.70	Ent'd from Carbon Copy on posted to Shea's debit in	Sales Book Led	47 228
Cash Sales listed, Compared &c	33.35	Credited Sales on	Cash Bk	202

FIG. 18C — Robt. Bell Co.'s Diary.

Bell's Diary Continued Set no. 2 — 4

Bell's Memo			The bookkeepers notation	Pages
Friday Dec 15th				
Albright paid his note - Inv #76 - 128 00 note w/ he marked paid & given him			Ent Funds Rec'd - Bills Rec'ble #76 - C.B. posted to Credit Bills Rec'ble Led	202 11
Sold M. Sherman bill	94	00	Ent'd from Carbon Copy in Sales Bk posted to debit of Sherman Led	47 229
Cash Sales listed, compared &c	46	10	Credited Sales in Cash Bk	202
Saturday Dec 16th				
Recd of Kent Annan Ck on 4th Nat Bk	109	55	Credited Annan on Cash Bk & posted to his Credit in Led	202 111
Ck to Peck Printing Co - Signs &c	6	90	Chg'd in Expense Col - in Cash Bk	203
Made up Pay Roll for Week drew ck, got Cash & paid	84	50	Chg'd in Expense Col - to Wages - Cash Bk	203
Cash Sales listed, Compared &c	57	02	Credited Sales in Cash Bk	202
Sold N. Shields bill	114	00	Ent'd from carbon Copy in Sales Bk posted to debit of Shields Led	47 230
for above N. Shields gave his note 1/16 due 30 days after date for	114	00	Credited Shields his note 114.00 Journal debited - Bills Rec'ble #79 - 114.00 " posted to Cr Shields Led " " dr Bills Rec'ble "	69 69 230 11
Recd goods of Eaton Gro Co shipped per their invoice 1/3/14 prices checked with purchase order & so noted on bill. Ent'd date to be paid - on diary & filed invoice in box file	648	40	Credited Eaton - Inv 1/3/14 - Journal debited Mdse " " " posted to Credit Eaton Led " " debit Mdse "	69 69 51 18
Monday Dec. 18th				
Sold O. Short bill	96	20	Ent'd from carbon Copy in Sales Bk posted to debit Short Leg	47 231
Bought 1 Case Eggs 30 dz @ 18 dz & shipped same to Bradley Com Co. to sell for our a/c & remit proceeds	5	40	Debited Bray Consignment a/c - Cash Bk posted to debit Bray Con a/c 5.40 Led	203 50
Paid P.Z. & R.R. freight on goods recd	5	50	Chg'd Mdse Col - "freight in goods" CB	203
Recd goods shipped by Eggers F.G. Co 12/13 checked prices - count - weight &c with purchase order & so noted on invoice, which is filed in box file & due date noted on diary	129	69	Credited Eggers Inv 12/16 - 129.69 - in Journal debited Mdse " " 129.69 - " posted to Credit Eggers in Led " " debit Mdse "	69 69 53 18

FIG. 18D — Robt. Bell Co.'s Diary.

Bell's Diary Continued Set. No. V 5

Bell's memo			The bookkeeper's notation		Pages
Tuesday Dec. 19					
Recd of Nat Aster ck on 4 N Bk	110	65	Recd Aster on posted to his Credit on	Cash Bk Led	202 114
Cash Sales listed, Compared &c	51	10	Ent'd Credit of Sales	Cash Bk	202
Sold R. Sims bill	98	10	Ent'd from carbon copy on Sales Bk posted to Sims debit on Led		47 232
Wednesday Dec 20th					
Recd goods Emmo Mfg Co Inv'c 715 - pieces, weights &c agree with purchase order & are noted Entered due date on diary filed invoice	320	75	Credited Emmo 320.75 on Journal debited Moze 320.75 posted to credit Emmo - Led " " debit Moze "		69 " 55 18
Sold R. Skelly bill	105	10	Ent'd from carbon copy - on Sales Bk posted debit of Skelly " Led		47 233
Cash Sales listed, compared &c	53	04	Credited Sales on	Cash Book	202
Thursday Dec 21st					
Recd ck from Bray Com. Co proceeds of shipment of 17th	8	55	Credited Bray Consignment of on Cash Bk posted to Acct of Bray Co. Led		202 50
R. Skelly returned one pair of shoes bought 20th, wouldn't fit, gave him Credit Memo for	2	00	From Carbon Copy of Credit Memo debit Sales & credit Skelly - on Journal posted for Journal to Credit of Skelly - Led " " " debit Sales "		69 233 54
Cash Sales listed, compared &c	59	12	Credited Sales on	Cash Book	202
Sold J. Sloan bill	115	10	from carbon copy Ent'd on Sales Bk posted to debit of Sloan on Led		47 234
Friday Dec 22d					
Discounted our note No 19 1/22 pble 30 days after date at 4% proceeds credited in bank book	150	00	Credited No 19 Bills Payable on face of note 150.00	Cash Bk	202
	149	25	Entered 149.25 in Amount Recd Col.	Cash Bk	202
Bank deducting interest		75	" .75 " Interest Paid Col. " "		202
			posted to Credit of Bills Payable 150.00 Led & Entered 149.25 on back of stub of 4 N Bk check book		8
Cash Sales listed, compared &c	73	00	Credited Sales on	Cash Bk	202
Sold J. Small bill	137	20	Ent'd from Carbon Copy in Sales Book posted to debit of Small Led		47 235
Paid our note #18 at 4 N Bk due to day	150	00	Charged Bills Payable on	Cash Bk	202

Fig. 18E — Robt. Bell Co.'s Diary.

Bell's Diary - continued set No. 2 6

Bell's memo.		The bookkeeper's notations	Page
Friday Dec 22d Continued			
Sent ck to Eaton Gro Co deducting disct for Invoice 12/14	641.92 6.48 648.40	Ent'd in Amt paid Col. 641.92 Cash Bk " " Dis Count Col 6.48 " " debited Eaton 648.40 " "	203
		posted to debt Eaton Led	51
Sent ck to Eggers F.G. Co deducting discount in payment their invoice 12/16	12711 258 129.69	Ent'd in Amt paid Col 127.11 Cash Bk " " Dis Count Col 2.58 " " debited Eggers in Sundry Col 129.69 " "	203
		posted to debt Eggers Led	53
Saturday Dec. 23d			
Sold U. Smith bill	139.00	Ent'd from Carbon Copy in Sales Bk	47
		posted to debt Smith Led	236
Made up payroll for week then check, got money & paid	100.50	debited Expense - wages pd. Cash Bk	203
Petty Cash tickets listed - check drawn & money expended drawer	11.35	chg'd in Expense Col. "Petty Cash" - C Book	203
Cash Sales listed, Compared &c	69.00	Credited "Sales" in Cash Bk	202
gave up for tickets to Church Fair	10.00	debited Expense - Church Fair C B	203
Tuesday Dec 26 -			
Recd of Ollie Atkins ck on Citizens Bk	89.80	Cred'd Ollie Atkins on Cash Bk	202
		posted to his Cred Led	115
Sold V. Snider bill	83.10	chg'd from Copy on Sales Bk	47
		posted to Sniders debit - Led	237
Paid Carbon Coal Co bill	14.00	chg'd in Expense Col - pd for Coal - Cash Bk	203
Sent ck to Enos Hdw Co deducted disct in payment their bill 12/18	314.33 6.42 320.75	Ent'd in Amt paid Col 314.33 C B " " Dis Ct " 6.42 " " " Sund. Col - Enos 320.75 "	203
		posted to debt of Enos - Ledger	55
ck to P.Q.Z R.R. for freight	2.22	chg'd Mdse - freight in goods - C B.	203
Recd goods from Edgar Dgs. their inv. 12/24 prices & weight check with purchase order & so noted - filed bill	173.52	Credited Edgar Journal Debited Mdse " posted to Credit Edgar Leg " " debit Mdse "	69 69 52 18
Recd Goods from Ely Shoe Co Inv. 1/24 prices weights &c agree filed bill &c	67.93	Credited Ely Journal 69. Debited Mdse Jrnl posted to Credit Ely Ledger " " debit Mdse "	69 54 18
Cash Sales listed, Compared &c	41.10	Credited Sales Cash Book	202

FIG. 18F — Robt. Bell Co.'s Diary.

Bell's Diary Continued Set No. 2 — 7

Bell's memo			The bookkeeper's notations		Page
Wednesday Dec 27th					
Sold W. Snow bill	78	15	From Carbon Copy Ent'd on Sales Book posted to debit of Snow Led		47 238
Cash Sales listed, Compared &c	49	15	Ent'd to Credit of Sales	Cash Bk	202
Thursday Dec 28th					
Sold X. Sparks bill	101	00	From Carbon Copy charged on Sales Bk posted to debit of Sparks Led		47 239
Cash Sales listed Compared &c	55	25	Credited Sales on	Cash Bk	202
Friday Dec 29th					
Recd from Mat. Arnold ck on Local Trust Co	125	40	Credited Arnold on posted to his Credit on	Cash Bk Ledger	202 113
Recd of Pat. Ayres ck on A Nat Bk	116	35	Credited Ayres on posted to his credit	Cash Bk Led	202 116
Cash Sales listed, Compared &c	47	05	Credited Sale on	Cash Bk	202
Sold Y. Spear bill	69	00	From Carbon Copy charged on Sales Bk posted to debit of Spear Led		47 240
Saturday Dec 30th					
Pay Roll Made up, Check drawn & all bills paid	104	50	charged Expense on	Cash Bk	203
Petty Cash tickets listed check drawn & Money refunded drawer	9	80	charged Expense	Cash Bk	203
Cash Sales listed, Compared &c	44	40	credited Sales on	Cash Bk	202
Gave ck to City Light & Power Co Light in Dec	14	20	charged Expense on	Cash Bk	203
Sold Z. Stark bill	66	80	From Carbon Copy chg'd on Sales Bk posted to debit Stark on Led		47 241

FIG. 18G — Robt. Bell Co.'s Diary.

Closing the Books

Sales Book

The bookkeeper is called in to make the closing entries as follows: The Sales Book (Fig. 23, page 91) is ruled up for the month, footed in ink, making a total of $2,226.10 — this being the total of charge sales for December. This amount is posted to credit of sales in the ledger (Fig. 24, Led. Fol. 24, page 94) and this ledger page number is put in the ledger folio column of Sales Book and the Sales Book folio No. 47, in the ledger.

Cash Book

Ruling Debit Side of Cash Book. (Fig. 21, page 92.) — The Cash Book columns have been footed daily in pencil as soon as all entries for each day are in, so that the figures can be used in the daily balancing of cash.

At the end of the month they now show —

Cash sales received in December, of which none has yet been posted to ledger	$1,187.90
as only the totals are posted.	
Paid to customers — each amount posted as paid to its proper ledger account	1,281.70
Received from other sources — Sundries — also posted as paid (plus balance from Nov. 30th, $817.60), equal	1,104.15
The footing of Cash Sales is made in ink just below the pencil totals and carried in ink over on the same line to the Sundry column.	
The footing of "Customers" in ink is made on the line below and also carried in ink to "Sundry" column	
These figures in the "Sundry" column are now added, showing a total of	$3,573.75
The interest column is ruled, totals made in ink on the line below, and then carried in ink to "Sundries" column	.75
And deducted, because the interest paid on Bills Payable was counted in, though not received, and thus deducting gives us the amount	$3,573.00
which includes the "balance" received at first of month from previous transactions, $817.60.	
To find the actual cash received during the month, we deduct this balance with which we started, or	817.60
which gives the exact amount of net receipts for month	$2,755.40
and in the left-hand margin, this amount is placed for posting.	(Fig. 21.)

By carrying in a separate column all interest deducted on loans by bank or paid on loans, interest can be totaled and posted in one amount at the end of the month, instead of making a journal entry each time, and this method saves much extra work.

The net receipts, $2,755.40, is posted to the debit of cash in the ledger. (Fig. 24, page 94.)

Ruling Credit Side of Cash. (Fig. 22, page 93.)

As the columns show pencil footing —	
Merchandise bought for cash	$13.12
not posted until a total at end of month.	
Expense paid cash	663.00
not posted until a total at end of month.	
Sundries posted, as entered, during the month.....	2,212.44
The several totals are carried to the Sundries column.	
Merchandise column is ruled, footed in ink and carried on same line to Sundry column.	
Expense column is ruled, footed in ink, and carried to Sundry column on line below, being the Expense total.	
Then Sundries column is posted, showing a total of Sundries column	$2,888.56
Rule " Discount " column on line below the last footing of Sundry column	$2,888.56
put total in ink and carry to Sundry column below the footing of Sundry column and deduct	36.60
showing	$2,851.96
footing of *net cash paid out,* which total is posted to credit of cash account, " Cash paid in December." (Ledger Fol. 10, Fig. 24, page 94.)	
The balance between the credit side or cash received.....	$3,573.00
and the debit side or cash paid.....	2,851.96
shows the balance of cash on hand.....	$721.04
which is put in ink under the " Total Paid " column, and then footed.	

This total should equal the total of credit side or be " in balance." The *Balance of Cash* is then placed on first line, under the ruling of the month's receipts on the debit side in both the Sundries and "Amount Received " Columns, ready for the next month's work.

At the end of the month the cash balance shown by the Cash Book should agree with the balance as shown by the ledger account of cash.

The Discount total, $36.60, being amount received during the month, is deducted and to be posted to the credit of Discount in the ledger. This

column proves of the same convenience as the Interest column on debit side, in avoiding extra work.

As the Merchandise payments were not posted during the month, the total, $13.12, is now posted to Merchandise ledger account on ledger folio 18 (Fig. 24, page 94), and for same reason, Expense total is posted to Expense Ledger account. (Fol. 34, Fig. 24, page 94.)

The sundries paid out are posted daily and at end of month need no further posting.

Bills Payable

The full credit to Bills Payable of the face of the note should be entered on the Cash Book, because that amount should stand on the ledger as the amount due, and as only the proceeds, in the case $149.25, are given by the bank, by being entered in the pass book as available for use, the interest is placed in a separate column as noted, and being a charge, must finally be debited to interest account.

Discounts

The discount deducted from remittances for goods bought, is a gain and must be credited to Discount account, and the full amount of the bill charged when paid.

Proving Footings of Cash Book

At all times the correctness of the footings of cash can be proven, because the total cash sales received and amounts paid by customers and Sundries should equal the footing of the amount received column, unless there is deduction for interest paid, in which event the total received must be added to that column's footing to equal the other three.

The same rule holds good with the credit side.

Cash Balance Shown by Cash Book

The figures of the amount on hand, or the balance at the end of previous month are placed in the " Sundries column " and "Amount Received " column on the debit side, that the footings made later will agree in the proof. At any time cash is balanced during the month, the difference between the footings of Amount Received and Amount Paid columns, should be the total cash on hand, or currency in the drawer and amount of bank balance as shown by the check book, to make this total on hand.

CHAPTER XII

Closing Entries (Fig. 28, page 99.)

AFTER all the current posting has been finished it is customary to take off a trial balance (Fig. 27, page 98), or a list showing all debit balances, and all credit balances, which when footed should equal, showing that the books balance and all entries have been properly posted.

Profits Other Than Trading

Next, all other revenue accounts, as Bray Consignment a/c, are balanced by debiting them and crediting the respective balances to Profit and Loss account, because the gain or profit, made on such an account is not in buying and selling goods in the course of your regular business, but as in this case, a speculative venture which may result in loss instead of profit.

Taxes

Then Tax account is examined, and, as the taxes or license for doing business in many cities are assessed at beginning of the year, the tax is paid and charged "*Taxes*," and the account gradually reduced each month by charging to expense or some proper account one-twelfth of the year's license and crediting license or taxes. If taxes are only paid at end of year for the year past, then a certain estimated amount usually based on the bill of year previous, is to be provided, which will at end of year apply on liquidating the tax bill. To accomplish it one-twelfth of the estimated yearly tax is charged taxes at end of each month, and credited to an account usually termed "Reserved for Taxes" or "Taxes Accrued," and to this account is charged the tax bill when paid.

In the present case we are using up a sum paid at the beginning of the year which has been reduced monthly until now it amounts only to $7.60, or one month's proportion.

Insurance and Interest

We find that of the insurance in force, $5.28, or one-twelfth of premium, is due or used, so we charge that amount to expense and credit insurance. We charge off balance paid for interest, 75 cents.

Depreciation

We estimate 20% depreciation on Dray Stock, or wagons, harness and horses, as just, and we charge that to Expense, crediting Dray Stock to reduce the value $93.00.

In the larger cities auto trucks are rapidly displacing horse-drawn vehicles, and, in the estimation of auto insurance companies, are subject to a larger rate of depreciation.

Furniture and fixtures have a fixed depreciation of 10% in our judgment, hence we charge 10% of the balance to Expense and decrease furniture and fixtures balance that amount, $78.03, by a credit to Furniture and Fixtures. The credit to Dray Stock and Furniture and Fixtures of amount depreciated, is an allowance on those accounts because they had shown wear and tear and were not as good as they were the year before.

This is similar to allowing a customer a certain sum because the goods sold him later proved defective, or depreciated in quality while in our stock.

In both cases it is an allowance or loss and must have a credit — which amount must also be debited to some other account, and in case of Dray Stock and Furniture and Fixtures, charged to Expense.

Reserve for Bad Debts

We wish to provide against erroneous valuation of accounts receivable, which, before collection of all, may show some failures or unforeseen claims, so we decide that 2% on the balance, $2,672.20 outstanding, is about correct and open an account "Reserved for Bad Debts," and charge expense 2%, $53.44, and credit the amount to Reserve for Bad Debts. In case of failures the loss is to be charged to this account, "Reserve for Bad Debts," and credited the customer who has failed to close his account on the books, or wipe out the account.

Interest on Capital

We must compensate the principals for the use of their capital, so 6% interest for the year is credited Bell on his $5,000.00 and Davis on his $1,000.00, and these amounts $300 and $60, respectively, are charged Profit and Loss.

For these entries, see entry "PROFIT AND LOSS," to Sundries on Journal. (Fig. 28, page 96.)

Trading Account (Fig. 29B, Led. Fol. 19, page 101.)

What is It?

The account, now used conveniently to show the results of the business dealings, is called Trading Account, and may be likened to choosing some agent or mutual friend to whom you hand all bills for your expenses and bills for merchandise bought, and also the proceeds of the sales, with the understanding that he will pay what is due and hand you the balance, which is profit.

The balance shown by Merchandise Account is charged to Trading Account and credited to Merchandise. (Fig. 28, 5th entry, page 99.)

The balance shown by Expense account is credited Expense and debited Trading Account, thereby balancing Merchandise and Expense Accounts, which are ruled up. (Figs. 28, page 99 and 29B, page 101.)

The balance of Sales Account is charged Trading Account and credited Sales, thereby balancing the latter account. (Figs. 28 and 29B.)

Discount Credited to Profit and Loss

The balance of Discount Account, and Bray Consignment Account are closed out to Profit and Loss Account, because they are profits on cash in hand, and not on trading in goods. (Figs. 29B, page 101 and 29A, page 100.)

Closing Merchandise and Trading Accounts

We await the completion of pricing, extending and footing the inventory, when finished showing goods on hand.

We charge Merchandise with that amount, showing goods on hand, and credit Trading Account, because when we charged the total balance standing to the debit of Merchandise for goods bought, including what was used for sales and also the balance still unsold or what is still on hand, we credit Trading Account.

This would have been the same as crediting to Merchandise in the first place, the amount of goods used, which could be calculated by deducting the amount unused from the total balance of Merchandise, and charging this difference or balance used, to Trading Account. The method shown allows the books to be closed thus far and await the results of the inventory. (See Figs. 28, page 99 and 43, page 140.)

Trading Profits

A balance is now struck in Trading Account and this balance (in this instance, $3,063.76) credited to Profit and Loss, showing Trading Profits for the year, and Trading Account is then ruled up as balanced. (Figs. 28, page 99; 29A, page 100; 29B, page 101.)

Trial Balance: Robt Bell & Co. Nov 30th 1916

LED. FOL.		GROUPING COL.	TOTAL BY GROUPS	TOTALS
10	Cash		817 60	
11	Bills Receivable		128 00	
	Accounts Receivable			
101	Alex Abbott	146 50		
102	Ben Ackers	100 25		
103	Chas Adams	95 25		
104	Saml Adget	80 75		
105	Ed. Afton	148 10		
106	Fred Agee	121 95		
107	Geo. Akins	85 60		
108	Henry Alden	130 45		
109	Isaac Allen	115 75		
110	James Ames	137 30		
111	Kent Annan	109 55		
112	Louis Appler	133 20		
113	Mont. Arnold	125 40		
114	Nat Aster	110 65		
115	Ollie Atkins	89 80		
116	Pat Ayres	116 35	1843 80	
18	Merchandise		2401 00	
5	Real Estate		750 00	
6	Bray Stock	465 00		
7	Furniture & Fixtures	780 25	1245 25	
31	Reserve for Insurance	8 34		
32	" " Taxes	7 60	15 94	
32	Expense		58 16 12	
3	Robert Bell private or drawing a/c		50 00	
	Debits		34 676 74	34 676 74
1	Robt. Bell Capital a/c	5000 00		
2	C. L. Davis Capital a/c	1000 00	6000 00	
8	Bills Payable		1500 00	
	Accounts Payable			
51	Eaton Gro. Co	356 98		
52	Edgar Dry Goods Co	134 52		
53	Eggers & Co	201 36		
54	Ely Shoe Co	77 14		
55	Evans Hardware Co	158 20	928 20	
24	Sales		27 545 80	
50	Bray Consignment a/c		52 74	34 676 74
	Credits		34 676 74	34 676 74

Fig. 19 — Trial Balance (Set 2) to Begin

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Led. Fol. DR	Led. Fol. CR		General Accts DR	General Accts CR	Customers DR	Customers CR
		16				
11	23	Bills Receivable Dr To W. Shields — Recd his note 12/16-30 d/d Our No 77	114 00			114 00
		16				
18	51	Merchandise Dr To Eaton Gro. Co. — Their invoice 12/14	648 40	648 40		
		18				
18	53	Merchandise Dr To Eggers F.G. Co. — Their invoice 12/16	129 69	129 69		
		20				
18	55	Merchandise Dr To Enno Hdw. Co — Their invoice 12/18	320 75	320 75		
		21				
24	233	Sales Dr To R Skelly — Shoes ret'd per Credit Mem	2 00			2 00
		26				
18	52	Merchandise Dr To Edgar D.G. Co — Their invoice 12/24	241 45	173 52		
	54	" Ely Shoe Co — " " 12/24		67 93		

Fig. 20 — Journal Entries

You will note that the above ruling separates the General Accounts from the Customers' Accounts, though this form need not necessarily be used, unless the reasons below appeal to you.

If at any time it is desirable to prove up the trial balance, the columns of both classes of accounts are footed, debits, and credits and to the debits and credits of the other books which have been footed are added the respective amounts which will show the total debits and credits which have been posted during the month. As your preceding trial balance showed the total debit of customers you add that debit to total customers' debit footings and deduct the total credit footings, which gives the debit total of Customers' Accounts, thus checking if correct or showing a difference if an error has been made. Likewise the General Accounts can be proven.

The writer has been able on many occasions to prove in which class of accounts an error has been made and consequently know which class to check for the error.

SALES BOOK 47

DATE		LED FOL	ADDRESS	NAME	SALESMAN INITIAL	SALESMAN No	SHIPPED BY	AMOUNT	
Dec	1	217		A Ayford				67	40
	2	218		B. Sanders				80	75
	4	219		C. Savage				66	20
	5	220		D. Taylor				53	75
	6	221		E. Scott				68	00
	7	222		F. Selby				90	05
	8	223		G. Seward				94	10
	9	224		H. Sexton				80	50
	11	225		I. Shands				70	10
	12	226		J. Sharp				80	30
	13	227		K. Shaw				95	00
	14	228		L. Shea				97	70
	15	229		M. Sherman				94	00
	16	230		N. Shields				114	00
	18	231		O. Short				96	20
	19	232		P. Sims				98	10
	20	233		R. Skelly				105	10
	21	234		S. Sloane				115	10
	22	235		T. Small				137	20
	23	236		U. Smith				139	00
	26	237		V. Snider				83	10
	27	238		W. Snow				78	15
	28	239		X. Sparks				101	00
	29	240		Y. Spear				69	00
	30	241		Z. Stark				66	80
		24	Sales Credits	for Charge Sales in Dec				2226	40

Fig. 23

As the same transactions occur in both Sets 2 and 3 — the customers' accounts in both are the same, hence Fig. 35, page 128 is similar to Fig. 23 except that the ledger page is different, see Fig. 24 in Set 2, page 94 and Figs. 41A, B, and C in Set 3, pages 132 to 134.

202 Dr. Cash Robt Bell & Co

DATE		L.F. Fol.	RECEIVED FROM	DESCRIPTION	CASH SALES	CUSTOMERS	SUNDRIES	AMT RECD	INT. PAID
Dec	1		Bal from Nov. 30th				817 60	817 60	
	1	✓	Sales	Cash Sales 1st	38 70			38 70	
	2	✓	"	" " 2d	45 42			45 42	
	4	102	Ben Ackers	Ck 4 Nt Bk.		100 25		100 25	
	"	✓	Sales	Cash Sales 4th	33 14			33 14	
	5	103	Chas Adams	Local Dr Co		95 25		95 25	
	"	✓	Sales	Cash Sales 5th	41 85			41 85	
	6	104	Dave Adger	Citizens Bk		80 70		80 70	
	"	✓	Sales	Cash Sales 6th	34 23			34 23	
	7	✓	"	" " 7th	37 35			37 35	
	8	106	Fred Agee	4 Nat Bk		121 95		121 95	
	"	107	Geo. Atkins	"		85 60		85 60	
	"	✓	Sales	Cash Sales	36 06			36 06	
	9	108	Hy. Alden	Local Dr Co		130 45		130 45	
	"	✓	Sales	Cash Sales	63 50			63 50	
	11	✓	"	" "	42 60			42 60	
	12	109	Isaac Allen	Citizens Bk		115 75		115 75	
	"	✓	Sales	Cash Sales	37 22			37 22	
	13	✓	"	" "	51 10			51 10	
	14	✓	"	" "	33 35			33 35	
	15	11	Bills Receivable.	#6. Allright			128 00	128 00	
	"	✓	Sales	Cash Sales	46 10			46 10	
	16	111	Kent Annan	4 Nat Bk		109 55		109 55	
	"	✓	Sales	Cash Sales	57 02			57 02	
	18	✓	"	" "	48 05			48 05	
	19	114	Nat Aster	4 Nat Bk		110 65		110 65	
	"	✓	Sales	Cash Sales	51 10			51 10	
	20	✓	"	" "	53 04			53 04	
	21	50	Bray Consignment %	Metro. Bk			8 55	8 55	
	"	✓	Sales	Cash Sales	59 12			59 12	
	22	8	Bills Payable	#19. 4 Nat Bk			150 00	149 25	75
	"	✓	Sales	Cash Sales	73 00			73 00	
	23	✓	"	" "	69 00			69 00	
	26	115	Ollie Atkins	City Bk		89 80		89 80	
	"	✓	Sales	Cash Sales	41 10			41 10	
	27	✓	"	" "	49 15			49 15	
	28	✓	"	" "	55 25			55 25	
	29	116	Pat Ayres	4 Nat Bk.		116 35		116 35	
	"	113	Mont. Arnold	Local Dr Co		125 40		125 40	
	"	✓	Sales	Cash Sales	47 05			47 05	
	30	✓	"	" "	44 40			44 40	
	"	24	Sales	Cash Sales Dec'r	1187 90		1187 90		
	"	✓	Customers	paid us Dec'r		1281 70	1281 70		
	"						3573 75		
	"	33	Dr. Interest	paid out in Dec			75		75
			Total	3573.00			3573 00	3573 00	
			Sen Bal 1/1	817 60					
		10	Dr Cash - Rec'd Dec'r -	2755.40					
Jan	1		Balance on hand	from Dec 31			721 04	721 04	

Fig. 21 — Left Hand

Robt. Bell & Co — Cash — CR. — 203

DATE			PAID TO	FOR	MDSE	EXPENSE	SUNDRIES	AMOUNT PAID	DISCT RECD
Dec	2	51	Eaton Gro Co	Invoice 11/25			356 98	349 82	7 14
	"	52	Edgar Dg. Co	" 11/27			134 52	130 48	4 04
	"	"	Expense	Petty Cash per tickets		8 70		8 70	
	"	"	Owen R. E. Co	Rent store for Dec		75 00		75 00	
	"	31	Insurance	Pan Ins. agency			30 00	30 00	
	"	"	Wages	for week Ending 12th		84 50		84 50	
	8	53	Eggen F.G. Co	" Inv. 11/27			201 36	196 89	4 47
	"	54	Ely Prod Co	" " 11/28			77 14	74 83	2 31
	"	"	Typo Stat'y Co	Letter bill heads		28 80		28 80	
	"	55	Enno Hdw Co	for Inv. 11/29			158 20	155 04	3 16
	"	"	Thos Parker	1-Case Eggs	5 40			5 40	
	9	"	Wages	week Ending 9th		84 50		84 50	
	"	"	Expense	Petty Cash tickets		8 25		8 25	
	11	"	Towel Service Co	Towels & for Nov		4 10		4 10	
	"	"	Expense	Tickets Orphans Bazr		5 00		5 00	
	16	"	Peck Paint Co	Decorative Signs		6 90		6 90	
	"	"	Expense	Petty Cash per tickets		8 40		8 40	
	"	"	Wages	for week Ending 16th		84 50		84 50	
	17	50	Brady Consignment	Bot & Shipped Eggs			5 40	5 40	
	"	"	Freight	P.Q.Z.R.R. frt bills	5 50			5 50	
	22	51	Eaton Gro. Co	Inv. 12/14			648 40	641 92	6 48
	"	53	Eggen F.G. Co	" 12/16			129 69	127 11	2 58
	"	8	Bills Payable	No. 18 due at A.N.B.K			150 00	150 00	
	23	"	Wages	Week Ending 23d		100 50		100 50	
	"	"	Expense	Petty Cash per tickets		11 35		11 35	
		"	do	Tickets Church Fair		10 00		10 00	
	26	55	Enno Hdw. Co	Inv. 12/18			320 75	314 33	6 42
	"	"	Carbon Coal Co	Coal per bill		14 00		14 00	
	"	"	Freight	P.Q.Z.R.R. freight bill	2 22			2 22	
	30	"	Wages	for week Ending 30th		104 50		104 50	
	"	"	Expense	Petty Cash p. tickets		9 80		9 80	
	"	"	City Corporation	Electric Light		14 20			
	"	18	Merchandise	Cash paid in Dec'r	13 12		13 12		
	"	34	Expense 4	" " " "		663 00	663 00		
							2888 56		
	"	30	Discount	Cash Disct. Recd in Dec			36 60		36 60
	"	10	Cash	Total paid out " "			2851 96	2851 96	
			Balance	forwarded to Jany 1st			721 04	721 04	
							3573 00	3573 00	

Fig. 22 — Right Hand

Robt. Bell Capital Acct — 1

DATE			FOL	DEBIT	DATE			FOL	CREDIT
					1916 Jan	1	Bal		5000 00

C. L. Davis Capital Acct — 2

					Jan	1	Bal		1000 00

Robt. Bell private acct — 3

Nov	30	Cash	201	50 00					

Real Estate — 5

Nov	30	Bal		750 00					

Stray Stock — 6

Nov	30	Bal		465 00					

Furniture & Fixtures — 7

Nov	30	Bal		780 25					

Bills Payable — 8

Dec	22	Cash #18	203	150 00	Nov	30	Bal #18		150 00
					Dec	22	Cash - 4 mos	202	150 00

Cash — 10

Nov	30	Bal		817 60	Dec	30	Paid in Dec	203	2851 96
Dec	30	Rec'd in Dec 12/04	202	2755 40					

Bills Receivable — 11

Nov	30	Bal		128 00	Dec	15	Cash #76	202	128 00
Dec	16	Shields #77	g 69	114 00					

Merchandise — 18

1916									
Jan	1	Inventory	3967 80						
Nov	30	Bot 11/1-11/30	20042 23	24010 03					
Dec	16	Eaton	g 69	648 40					
	18	Eggers	"	129 69					
	20	Ennis	"	320 75					
	26	Edgar	"	173 52					
	"	Ely	"	67 93					
	30	Cash paid in Dec	c 203	13 12					
				25363 44					

Sales — 24

Dec	21	Skelly - ret'd goods	g 69	2 00	Nov	30	Bal		27545 80
					Dec	30	Sales book Dec	47	2226 10
					"		Cash Sales " 30957.80	c 202	1187 90

Discount — 30

					Dec	30	Rec'd in Dec	c 203	36 60

Insurance — 31

Nov	30	Bal		8 34					
Dec	2	Cash	203	30 00					

Taxes — 32

Nov	30	Bal		7 60					

Interest — 33

Dec	30	Cash - paid in Dec	202	7 5					

Expense — 34

Nov	30	Bal		5816 12					
Dec	30	Cash paid in Dec	203	663 00					

Bray Consignment a/c — 50

Dec	17	Cash - Eggs for Ship 7.85	203	5 40	Nov	30	Bal		52 74
					Dec	21	Cash - proceeds #85 55.69	202	8 55

Fig. 24 — Ledger (Set 2) Accounts

Eaton Gro Co. 51

Dec	2	Cash	203	356	98	Nov	30	Bal			356	98
	22	"	"	648	40	Dec	16	Mdse Inv. '14	969		648	40
				1005	38						1005	38

Edgar Dry Goods Co 52

Dec	2	Cash	203	134	52	Nov	30	Bal			134	52
						Dec	26	Mdse Inv. '14	969		173	52

Eggers F. G. Co. 53

Dec	8	Cash	203	201	36	Nov	30	Bal			201	36
	22	"	"	129	69	Dec	18	Mdse Inv '14	969		129	69
				331	05						331	05

Ely Shoe Co 54

Dec	8	Cash	203	77	14	Nov	30	Bal			77	14
						Dec	20	Mdse Inv '14	969		67	93

Enno Hardware Co 55

Dec	8	Cash	203	158	20	Nov	30	Bal			158	20
	26	"	"	320	75	Dec	20	Mdse Inv. '14	969		320	75

Fig. 25 — Ledger — Accounts Payable — Set 2

It is not only good business, but, when possible to do so, you should pay *each bill* for goods bought or if many small bills are open, pay up evenly and leave *no part* of *any one* bill unpaid, and then rule the account up under the completed payment, leaving unruled the balance or unpaid bill or bills —

First — It is very easy to notice at a glance the balance and amount as the column is short, which is not the case if both sides have a long column of both credits and debits — note Edgar Dry Goods Co. account, but one bill stands out as unpaid — those paid are ruled up.

Second — The seller appreciates the advantage of ruling up your account on his books so that he can easily note what is owing. Do not leave unsettled balances. The details are often forgotten or must be looked up. The calculation of what has or what has not been paid must be checked and time lost in such work needlessly, unless it is inconvenient to pay to a given point. In that case pay off the balance as soon as possible and rule up the ledger to the balancing point: —

"Prompt payment makes fast friends."

Ledger - Accounts Receivable - at close of Month. Sets 2 - & 3

Alex Abbott												101
Nov	30	Bal	146	50								
Benj Ackers												102
Nov	30	Bal	100	25	Dec	4	Cash		202	100	25	
Chas Adams												103
Nov	30	Bal	95	25	Dec	5	Cash		202	95	25	
Saml Adger												104
Nov	30	Bal	80	70	Dec	6	Cash		202	80	70	
Ed. Alton												105
Nov	30	Bal	145	10								
Fred Agee												106
Nov	30	Bal	121	95	Dec	8	Cash		202	121	95	
Geo Akins												107
Nov	30	Bal	85	60	Dec	8	Cash		202	85	60	
Henry Alden												108
Nov	30	Bal	130	45	Dec	9	Cash		202	130	45	
Isaac Allen												109
Nov	30	Bal	115	75	Dec	12	Cash		202	115	75	
James Ames												110
Nov	30	Bal	137	30								
Kent Anvan												111
Nov	30	Bal	109	55	Dec	16	Cash		202	109	55	
Louis Appler												112
Nov	30	Bal	133	20								
Mont. Arnold												113
Nov	30	Bal	125	40	Dec	29	Cash		202	125	40	
Nat. Aster												114
Nov	30	Bal	110	65	Dec	19	Cash		202	110	65	
Ollie Atkins												115
Nov	30	Bal	89	80	Dec	26	Cash		202	89	80	
Pat Aynes												116
Nov	30	Bal	116	35	Dec	29	Cash		202	116	35	
A. Tafford												217
Dec	1	Sales	47	67	40							
B. Sanders												218
Dec	2	Sales	47	80	75							
C. Sarage												219
Dec	4	Sales	47	66	20							
D. Saylor												220
Dec	5	Sales	47	53	75							
E. Scott												221
Dec	6	Sales	47	68	00							
F. Selby												222
Dec	7	Sales	47	90	05							

AT CLOSE OF MONTH AND YEAR

Fig. 26. A.

ACC'TS RECEIVABLE SETS 2 AND 3

Ledger - Accts Receivable - Continued Sets 2 & 3.

		G. Seward									223
Dec 8	Sales		47	74 10							
		H. Sexton									224
Dec 9	Sales		47	80 50							
		I. Shands									225
Dec 11	Sales		47	75 10							
		J. Sharp									226
Dec 12	Sales		47	80 80							
		K. Shaw									227
Dec 13	Sales		47	95 00							
		L. Shea									228
Dec 14	Sales		47	97 70							
		M. Sherman									229
Dec 15	Sales		47	94 00							
		N. Shields									230
Dec 16	Sales		47	114 00	Dec 16	Bills Rec'ble		9	69	114 00	
		O. Short									231
Dec 18	Sales		47	96 20							
		P. Sims									232
Dec 19	Sales		47	98 70							
		R. Skelly									233
Dec 20	Sales		47	105 10	Dec 21	Shoe ret's		9	69	2 00	
		S. Sloan									234
Dec 21	Sales		47	115 10							
		T. Small									235
Dec 22	Sales		47	137 20							
		U. Smith									236
Dec 23	Sales		47	139 00							
		V. Snider									237
Dec 26	Sales		47	83 10							
		W. Snow									238
Dec 27	Sales		47	78 15							
		X. Sparks									239
Dec 28	Sales		47	101 00							
		Y. Spear									240
Dec 29	Sales		47	69 00							
		Z. Stark									241
Dec 30	Sales			66 80							

Fig. 26-a

At Close of Month and Year. Acc'ts Receivable Sets 2 and 3

Robert Bell & Co. Set No. 2.

Trial Balance before closing - Dec 30 - 1910

L.F.			DEBIT	L.F.			CREDIT
1	Robt. Bell-private A/c		50 00	1	Robt Bell Cap'l A/c		5000 00
5	Real Estate		750 00	2	C. L. Davis " "		1000 00
6	Bray Stock	465 00		8	Bills Payable		1500 00
7	Furniture & Fixtures	780 25	1245 25	24	Sales		30957 80
10	Cash		721 04	30	Discount	36.60	
11	Bills Receivable		114 00	50	Bray Const. A/c	55.89	92 49
18	Merchandise		2536 34		Acct Payble		
31	Insurance	38 34		52	Eaglin Mfg. Co	173 52	
32	Taxes	7 60		54	Ely Shoe Co	67 92	241 45
33	Interest	75					
34	Expense	647 12	652 87				
	Acct Rec'ble						
101	Alex Abbott	146 50					
105	Ed. Afton	145 10					
110	James Ames	137 30					
112	Louis Appler	133 20					
217	A. Safford	67 40					
218	B. Sanders	80 75					
219	C. Savage	66 20					
220	D. Saylor	53 75					
221	E. Scott	68 00					
222	F. Selby	90 00					
223	G. Seward	74 10					
224	H. Sexton	80 50					
225	I. Shands	75 10					
226	J. Sharp	80 80					
227	K. Shaw	95 00					
228	L. Shea	97 70					
229	M. Sherman	94 00					
230	O. Short	96 20					
232	P. Sims	98 10					
233	R. Skelly	103 10					
234	S. Sloan	115 10					
235	T. Small	137 20					
236	U. Smith	139 00					
237	V. Snider	83 10					
238	W. Snow	78 15					
239	X. Sparks	101 00					
240	Y. Spear	69 00					
241	Z. Stark	66 80	2672 20				
			37441 74				37441 74

FIG. 27 — Trial Balance before Closing — Set 2

This is the "Trial Balance before Closing" or the trial balance to prove the correctness of all postings and footings of the books before making the closing entries. Unless this is taken off properly and shows both sides in balance, no attempt should be made to close the books for the year.

Some bookkeepers force a balance by opening an "error account," to which they post the amount to make the two sides agree, but it is well known to any old bookkeeper that a seemingly small error in his trial balance may be the difference of two or a dozen errors made, and no dependence is placed on that difference being only one error. A bookkeeper who uses an "error account" to reconcile his books is unworthy the confidence of his employer — only honest and patient work will detect an error, and a lazy man is neither patient nor thorough.

Journal Robt. Bell & Co. Dec. 1916 — 70

			General Accounts Dr	General Accounts Cr	Customers Dr	Customers Cr
		— Closing entries for year —				
		30				
50		Bray Consignment a/c - Dr. balance transferred	55 89			
30		Discount a/c Dr " "	36 60			
	12	To Profit & Loss		92 49		
		30				
34		Expense a/c Dr	238 10			
	6	To Bray & Stock - - 20% depreciation on bal. 450.00		93 00		
	7	" Furniture & Fixtures - 10% " " " 780.25		78 03		
	32	" Taxes balance due in Decr		7 60		
	31	" Insurance proportion for Decr		5 28		
	33	" Interest a/c balance paid in 1916		75		
	40	" Reserve for Bad Debts 2% on outstandings 2672.22		53 44		
		30				
12		Profit & Loss Dr	360 00			
	3	To Robt. Bell Private a/c. 6% interest for 1 yr on 5000		300 00		
	4	" C. L. Davis Private a/c 6% " " 1 " " 1000		60 00		
		30				
24		Sales Dr	30957 80			
	19	To Trading Acct - balance sales for year		30957 80		
		30				
19		Trading Acct Dr	32080 66			
	18	To merchandise a/c balance of this acct		25363 44		
	34	" Expense a/c " " " "		6717 22		
		30				
18		Merchandise Acct Dr	41866 2			
	19	To Trading Acct Inventory 12/30/16		41866 2		
		30				
19		Trading Acct Dr				
	12	To Profit & Loss Trading profits for 1916	30637 6			
		balance of Trading a/c		30637 6		
		30				
12		Profit & Loss Dr	2796 25			
	3	To Robt. Bell Private a/c his share being 1/6 of 2796.25		2330 21		
	4	" C. L. Davis Private a/c " " " 1/6 - 2796.25		466 04		
		of profits for year				

Fig. 28 — Journal Closing Entries — Set 2

A page should be set aside for closing entries at end of the year and should be headed as shown that attention may be called to the fact and no other entries allowed to go on the page.

It is like the End of the Chapter — the closing of a definite period and deserves emphasis.

Explanation of why or for what purpose accounts are closed, transferred, increased or diminished should be clearly stated.

Rather err in writing too much of an explanation than leave the meagre details to be later unraveled by some unfortunate successor.

Nothing is more confusing and irritating than the absence of the why and wherefore.

Robert Bell Capital Acc't — 1

Date			Fol	Debit		Date 1916			Fol	Credit	
						Jan	1	Bal		5000	00

C. L. Davis-Capital Acct — 2

						Jan	1	Bal		1000	00

Robert Bell - private acc't. — 3

1916											
Nov	30	Cash	203	50	00	Dec	30	Profit & Int on Capital	J70	300	00
		Bal		2580	21		"	do his share profit	"	2330	21
				2630	21					2630	21
						Dec	30	Bal		2580	21

C. L. Davis - private acct. — 4

						Dec	30	Profit & Int on Capital	J70	60	00
							"	do his share of profit	"	466	21
										526	21

Real Estate - Lot on Main St — 5

Nov	30	Bal		750	00						

Dray Stock — 6

Nov	30	Bal		465	00	Dec	30	Expense - depreciation	J70	93	00
								Bal		372	00
				465	00					465	00
Dec	30	Bal		372	00						

Furniture & Fixtures — 7

Nov	30	Bal		780	25	Dec	30	Expense depreciation	J70	78	03
								Bal		702	22
				780	25					780	25
Dec	30	Bal		702	22						

Bills Payable — 8

Dec	22	Cash #18	203	150	00	Nov	22	Cash 4 N Bk #18		150	00
						Dec	22	" " #19		150	00

Cash — 10

Nov	30	Bal		817	60	Dec	30	Paid out in Dec	203	2851	96
Dec	30	Rec'd in Dec	202	2756	40			Bal		721	04
				3573	00					3573	00
Dec	30	Bal		721	04						

Bills Receivable — 11

Nov	30	Bal. #70		128	00	Dec	15	Cash - #76	202	125	00
Dec	16	Shields #77	J69	114	00						

Profit & Loss — 12

Dec	30	Bell Interest on Cap't	J70	300	00	Dec	30	Dray Consignt - bal	J70	55	89
	"	Davis " " "	"	60	00		"	Discount "	"	36	40
	"	Bell-his share profit	"	2330	21		"	Trading Acct - profit		3063	76
	"	Davis " " "	"	466	21						
				3156	25					3156	25

Merchandise — 18

Jan	1	Inventory 3,967 80									
Nov	30	Purchs 1 to 15 2,004 223		2401	03	Dec	30	Trading Acct	J70	2536	3
Dec	16	Eaton Gro Co	J69	648	40						
	18	Eggen Pg. Co	"	129	69						
	20	Ohio N W Co	"	320	75						
	26	Edgar Pg. Co	"	173	52						
	"	Ely-Shoe Co	"	167	93						
	30	Cash pd in Dec	203	131	21						
				2536	44					2536	44
Dec	30	Trading Pf - Inventory	J70	4186	62						

Fig. 29A — Ledger Accounts — Set 2 — After Closing

Trading Account 19

DATE			FOL	DEBIT	DATE			FOL	CREDIT
Dec	30	mdse	J 70	25363 44	Dec	30	Sales	J 70	30957 80
	"	Expense	"	6717 22			mdse - Inventory	"	4186 62
	"	Profit & Loss - Trading profit	"	3063 76					
				35144 42					35144 42

Sales 24

Dec	21	Skelly - ret'd goods	J 69	2 00	Nov	30	Balance		27545 80
	30	Trading Acct	70	30957 80	Dec	30	Sales Bk - Chge Sales for Dec.	47	2226 10
							Cash Sales	CB 202	1187 90
				30959 80					30959 80

Discount a/c 30

Dec	30	Profit & Loss	J 70	36 60	Dec	20	Cash	203	36 60

Insurance 31

Nov	30	Balance		834	Dec	30	Expense - used in Dec	J 70	528
Dec	2	Cash - prem pol 1500 -	203	3000			Balance		3306
				3834					3834
Dec	30	Balance		3306					

Taxes 32

Nov	30	Balance		760	Dec	30	Expense - transferred	J 70	760

Interest 33

Dec	30	Cash	202	75	Dec	30	Expense transferred	J 70	75

Reserve for Bad Debts 49

					Dec	30	Expense - set aside -	J 70	5344

Expense a/c 34

Nov	30	Balance		5816 12	Dec	30	Trading a/c	J 70	6717 22
Dec	30	Cash paid in Dec	203	663 00					
	"	Sundries	J 70	238 10					
				6717 22					6717 22

Bray Consignment a/c 50

Dec	17	Cash for Eggs Ship #85	203	540	Nov	30	Balance		5274
	30	Profit & Loss	J 70	5589	Dec	21	Cash - proceeds #85		855
				6129					6129

FIG. 29B — Ledger Accounts — Set 2 — After Closing

Eaton Gro Co — 51

Dec 2	Cash	203	356 98	Nov 30	Bal			356 98
22	"		648 40	Dec 16	Mdse Inv 1914	J69		648 40
			1005 38					1005 38

Edgar Dry Goods Co — 52

Dec 2	Cash	203	134 52	Nov 30	Bal			134 52
				Dec 26	Mdse - Inv 1924	J69		173 52

Eggers F. G. Co — 53

Dec 8	Cash	203	201 36	Nov 30	Bal			201 36
22	"	203	129 69	Dec 18	Mdse Inv 1916	J69		129 69

Ely & Hoe Co — 54

Dec 8	Cash	203	77 14	Nov 30	Bal			77 14
				Dec 26	Mdse - Inv 1924	J69		67 93

Emmo Hardware Co — 55

Dec 8	Cash	203	158 20	Nov 30	Bal			158 20
26	"	203	320 75	Dec 30	Mdse - Inv. 1916	J69		320 75

ACCOUNTS PAYABLE — FIG. 29C — AFTER CLOSING — SET 3

Balance Sheet - Robt Bell Co - Dec 30th 1916

LF	Assets					LF	Liabilities			
10	Cash			721	04	1	Robt Bell Capital 4%		5000	00
11	Bills Receble			114	00	2	C L. Davis Capital 4%		1000	00
	acct Receble					8	Bills Payable		150	00
101	Alex Abbott	146	50				Acct Payable			
105	Ed. Afton	145	10			52	Edgar Dy. Co	173 52		
110	Jas. Ames	137	30			54	Ely & Hoe Co	67 93	241	45
112	Louis Apple	133	20			44	Reserve for Bad Debt		53	44
217	A. Safford	67	40			3	Robt Bell private A/c	2580 21		
218	B. Sanders	80	75			4	C L Davis " "	526 04	3106	25
219	C. Savage	65	20							
220	D. Saylor	53	75							
221	E. Scott	68	00							
222	F. Selby	90	05							
223	G. Stewart	74	10							
224	H. Sexton	80	50							
225	I. Shands	75	10							
226	J. Sharp	80	80							
227	K. Shaw	95	00							
228	L. Shea	97	70							
229	M. Sherman	94	00							
231	O. Short	90	20							
232	P. Sims	98	10							
233	R. Sluy	103	10							
234	S. Soden	115	10							
235	T. Snead	137	20							
236	U. Smith	139	00							
237	V. Spicer	83	10							
238	W. Snow	78	15							
239	X. Sparks	101	00							
240	Y. Spear	67	00							
241	Z. Stark	60	80	2672	20					
18	Merchandise			4180	62					
5	Real Estate			750	00					
6	Dray & Stock	372	00							
7	Furn & Fixtures	702	22	1074	22					
31	Insurance-unexpired			33	00					
				7551	14				7551	14

FIG. 29D — Balance Sheet End of Year.

Profit and Loss Accounts

Dividing Profits

Profit and Loss having been credited with gain from Discounts, balance Bray Consignment Account, and balance of Trading Account, is now to be divided as the interest of the proprietors may be. Their accounts are credited (in this case), Bell, five-sixths and Davis, one-sixth, and Profit and Loss debited the total, or $2,796.25. (Figs. 28, page 99; 29A, page 101.)

Profit and Loss account is then ruled up and the books ready for the next year's business.

Ruling Up Ledger at Close of Year

All general accounts showing more than one entry for the year are ruled up in red ink and the balance brought down as shown, at the end of the year. Customers' accounts are, if paid by even bills, simply ruled at the point where the account balances, and the unpaid bills are left open and in small figures footing in pencil made under those bills. If bills are not so paid the balance in pencil figures is entered near the date column on the side which is larger, and left plainly written to be entered in the Trial Balance.

Posting

Remember to put in the posting column or ledger folio space, the page number of the ledger as posted, and in the ledger the page number of the book from which the entry is taken.

Check that Posting be not Overlooked

As certain entries on the cash are not posted daily, as occurring, but by totals at the end of the month, such as Cash Sales, Merchandise, Expense, Interest and Discount, a cross (×) or tick (√) mark is made in the ledger folio space, to note that they have not been overlooked. When the posting figures of such other accounts have been placed in this column, every entry will have some special mark opposite, either folio figures or check (√) mark, and if not, that entry has been overlooked and failed of having been posted. Hence at a glance this posting column would disclose any omission.

Another Way to Prove Trading Account

The sales		$30,959.80	
Less goods returned		2.00	
are gross sales for year		$30,957.80	
Mdse. ledger balance is	$25,363.44		
Less inventory, Dec. 30, 1916	4,186.62		
Deduct this amount, or Mdse. used for sales		21,176.82	
from sales, which shows difference, or Gross Trading Profit		$9,780.98	31.60% of sales
Then deduct expenses		6,717.22	21.70% " "
Giving a net Trading Profit. (Fig. 29A)		$3,063.76	9.90% " "
But,			
we must also add profit on discount (Fig. 28, page 99).	$36.60		
and profit on Bray Consignment (Fig. 29B, page 101)	55.89		
		92.49	
		$3,156.25	
and deduct the amount of interest paid on capital (Fig. 28, page 99)		360.00	
showing total net profits for year		$2,796.25	9.03% of sales

using above figures,—

Divide Gross Profits, $9,780.98, by sales, $30,957.80, we have 31.60% of sales.

Divide Gross Expenses, $6,717.22, by sales, $30,957.80, we have 21.70% of sales.

Divide Net Trading Profits, $3,063.76, by sales, $30,957.80, we have 9.90% of sales.

Divide Total Net Profits, $2,796.25, by sales, $30,957.80, we have 9.03% of sales.

If the above were the results of last year's business, it would be perfectly proper in expressing those results to say last year's expenses, $6,717.22, plus interest on capital, $360.00, equals $7,077.22, were 22.86% of sales.

and the net profit was 9.03% of sales.

If interested in knowing the percentage of Department Profits and Expenses, which is always an excellent idea, for comparison,

divide the expenses of each department by the sales of that department, to find the department expense percentage, and

divide the profit of each department by sales of that department, to find the department profit percentage;

thus — by reference to Trading Account (Fig. 46, page 144):

Dept. A —	Expenses,	$3,341.86,	divided by sales, $15,163.18	= 22.04%
	Profits,	$1,235.01,	divided by sales, $15,163.18	= 8.14%
Dept. B —	Expenses,	$872.41,	divided by sales, $4,343.60	= 20.09%
	Profits,	$557.40,	divided by sales, $4,343.60	= 12.83%
Dept. C —	Expenses,	$1,033.05,	divided by sales, $4,567.89	= 22.61%
	Profits,	$465.96,	divided by sales, $4,567.89	= 10.20%
Dept. D —	Expenses,	$1,469.90,	divided by sales, $6,883.13	= 21.36%
	Profits,	$805.39,	divided by sales, $6,883.13	= 11.70%
or, Total	Expenses,	$6,717.22,	divided by sales, $30,957.80	= 21.70%
	Profits,	$3,063.76,	divided by sales, $30,957.80	= 9.90%

In above we have a higher average percentage of expenses in Department A (Groceries), which may be explained by the usual waste or spoilage, and a lower percentage of net profits, possibly, because many staples are sold on a close margin, as usual. Should we pursue the matter further and wish to know how the percentages of "Wages," "Rent, Light and Heat," or General Expense compare by department, we pursue a similar course, as our figures are ready at hand in the Trading Account.

Comparison by percentage is the best and safest method, and so conceded by all authorities.

When figuring selling prices for the following year, with an expected Net Profit of 10% — add the 10% to 22.86, making 32.86, but for convenience make the figures 33% — which percentage must be paid on every sale to cover expenses and return a profit as above.

The figures then would be	100% of selling price,
from which deduct expenses and profits,	33% of selling price,
the remainder, cost of goods,	67%, in every sale.

To fix the selling price of a hat for which you paid $2.00, we know that 2.00 is 67% of selling price to be obtained. $2.00 divided by 67 gives one per cent, or 2.99 cents, and if one per cent of sale price is 2.99 cents, 100%, or 100 times 2.99 cents, is $2.99, or in even figures, $3.00.

Proof —

Cost of hat	$2.00	
23% of $3.00 sale is.....	.69	for expenses.
10% of $3.00 sale is.....	.30	for profit.
Total	$2.99	selling price.

Do not Sell Below Cost

Some goods, such as many staples, must be sold at close figures, but should never be sold below cost and expenses, for, in that case, you are paying some customer for the privilege of selling him.

Other goods may net an excellent profit, but the plan should be never to sell below cost and expenses, unless damaged goods, etc., and rely upon the other goods bringing up the average, because the great demand and majority of goods sold in a general store are staples, every-day necessities, the great reliance in making some profit.

This is no place to enlarge upon selling or store management, as books and magazine articles on these subjects have appeared in great numbers and can be readily procured.

Trade Journals and Books on Business

The best advice is to secure two or three standard works on such subjects, subscribe to at least two trade journals, to compare the contributors' opinions, read and study them. No such journals would be published unless the demand justified their extensive publication, and their circulation reaches only the merchants who wish to improve in their chosen calling.

As a proof, pick out the most successful men you may have in mind, and ask them if they subscribe to any trade journals, and, if so, why? The answer may open your eyes, if by chance you happen to be one who does not enjoy that privilege.

CHAPTER XIII

Organizing Set 2 into Departments as Set 3

WE have gone into detail in Robert Bell & Co.'s set of books and now will take up the *same* transactions with *same* parties, but do so under the supposition that the firm name is changed to Bell & Davis, for distinction, and that the partners at the beginning of the year had studied the question of department accounts and concluded to operate under that system, and learn, if possible, which branch of their business proved most profitable, and which, if any, was not productive.

The set, arranged to show department results, is of Bell & Davis, to distinguish from Robert Bell & Co., and the same customers' ledger accounts the customers of Robert Bell & Co. (Figs. 26A, page 96; 26B, page 97) will be used in this set, as they are not affected by the change, only the general accounts change.

Laying Out Departments

The departments appearing easiest to define in Bell's opinion were —

A, Groceries, or everything used as food for or consumed by man or beast;

B, Dry goods, all adornment, material for clothing, except men's furnishings, shoes, and men's and boys' hats;

C, Shoes, hats for men and boys, men's furnishings, including underwear, and clothing;

D, Hardware, including house and kitchen utensils, furniture and agricultural implements.

Merchandise now Stock A, B, C, D

Instead of all stock bought for sale being in one account, Merchandise, we divide it into four, Stock A, Stock B, Stock C, and Stock D, to be the accounts representing goods bought for the respective departments, so lettered.

The inventory is prepared and taken with this end in view and all goods are listed for each department on its separate set of sheets, that the amount of stock of that class may be accurately known.

Department Inventory

The only difference in taking the department inventory from that of any general stock is that the goods are listed all of a class by themselves or on their own sheets, and not mixed by having some goods of two or more departments on any sheet. (Fig. 14, page 50.)

The inventory resulted as follows, and purchases up to Nov. 30, 1916, are stated, and so appear on the trial balance, with which we start: (Figs. 32A and 41A.)

Dept. A	Inventory, 1/1/16..	$2,218.40	
	Purchases from 1/1 to 11/30/16.....	9,981.68	
			$12,200.08, bal. 11/30, Stock A
Dept. B	Inventory, 1/1/16..	$415.75	
	Purchases since....	2,666.49	
			3,082.24, " " " B
Dept. C	Inventory, 1/1/16..	$464.61	
	Purchases since....	3,111.22	
			3,575.83, " " " C
Dept. D	Inventory, 1/1/16..	$869.04	
	Purchases since....	4,282.84	
			5,151.88, " " " D
Total amount of.....			$24,010.03

standing as debit balances to stock.

All purchases, sales and expenses are kept by departments, necessitating four accounts for each, as will appear later, because we must keep all debits and credits of each department separate to arrive at results.

The goods bought and freight on these goods are easily distinguished and can be charged direct, each to its own particular department. (See Voucher Record, Fig. 38, page 130.)

Wages and Expenses Apportioned

Wages can also be apportioned, but general or miscellaneous expense, rent, light and heat accounts can only be segregated at end of month by percentage; in this case we divide as follows: (Fig. 39, page 135.)

Dept. A. 50 % of all expenses not otherwise apportioned.
Dept. B. 12½% of all expenses not otherwise apportioned.
Dept. C. 15½% of all expenses not otherwise apportioned.
Dept. D. 22 % of all expenses not otherwise apportioned.

"Rent, Light and Heat" expense is totaled and at the end of month charged in one account for convenience, and then by journal entry this general account is closed by charging each its proportion. (See Journal, Figs. 34, page 129; 43, page 140.)

Rent, Light and Heat, Dept. A
Rent, Light and Heat, Dept. B
Rent, Light and Heat, Dept. C
Rent, Light and Heat, Dept. D

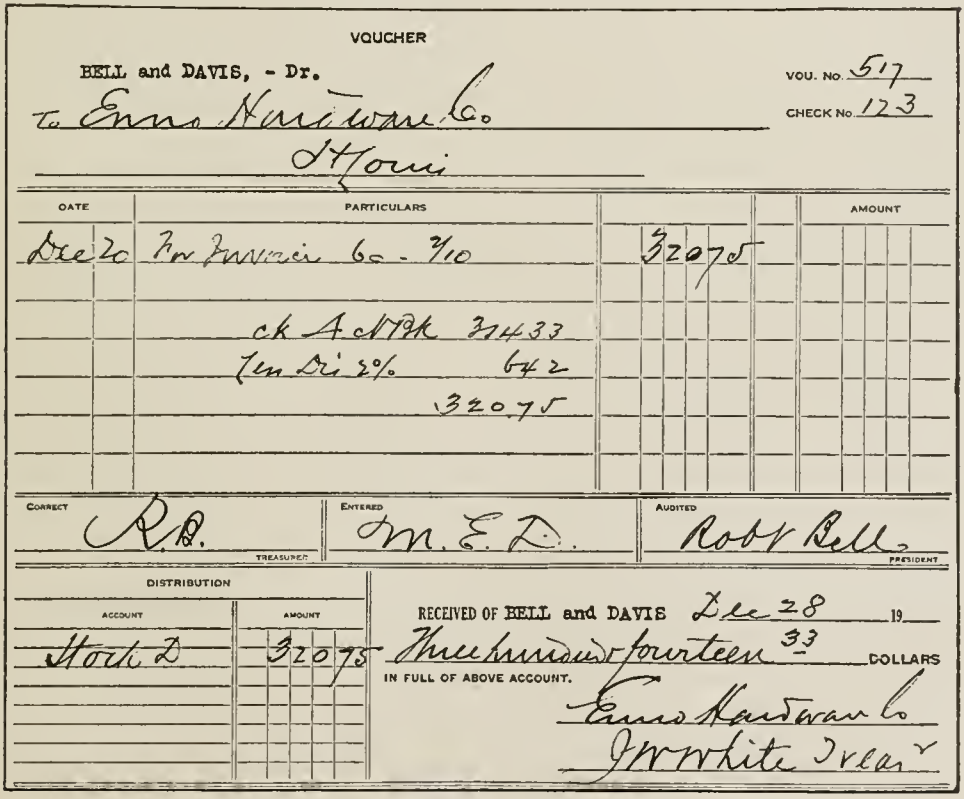
and general expense is also handled in this method.

This apportionment takes but a few seconds' figuring and can be put in the books with other monthly figures and soon grows into a most interesting comparison.

Voucher Record

What is Voucher System? (See Figs. 38A and B, pages 130 and 131.)

In this set we use a voucher system which is nothing more than entering up each bill to be paid in a simple, logical manner, as soon as the correctness of the bill is established. Instead of folding the bill and writing


VOUCHER

BELL and DAVIS, - Dr.

VOU. No. 517

CHECK No. 123

to Evans Hardware Co.
St Louis

DATE	PARTICULARS	AMOUNT
Dec 20	For Invoice 60 - 2/10	320 75
	ck A N Pk 31433	
	Ten Di 2% 642	
	320 75	

Correct R.B. Treasurer | Entered M.E.D. | Audited Robt Bell President

DISTRIBUTION

ACCOUNT	AMOUNT
Stock D	320 75

RECEIVED OF BELL and DAVIS Dec 28 19

Three hundred fourteen 33 DOLLARS

IN FULL OF ABOVE ACCOUNT.

Evans Hardware Co.
J W White Treas.

FIG. 30 — Voucher.

on the back the name, date and amount as our grandfathers did, and placing in a pigeon hole to be remembered if it so happened, or to be rudely reminded by a sight draft that we had forgotten its existence.

Blank Voucher

A uniform blank is used, on which is written the name of the seller, or to whom to be paid; the date; a brief description such as Invoice, Groceries, Dry Goods, etc., the amount to be paid, the terms, discount, if any, and the signature of the clerk who makes it out, in space marked "Correct." (See illustration on page 109.)

This voucher is of convenient size, the entries or written matter in uniform arrangement, and can be examined quickly.

When a bill or invoice is received a rubber stamp impression (Fig. 5, on page 25) is made on the bill, compared with purchase order or requisition (Fig. 17-B, page 70), and held for arrival of goods.

Making Out Voucher

When goods are received the proper notation in spaces of rubber stamp are made, and in space "Charge" the department letter placed, if known, and then entered up on a blank voucher. The clerk, after marking it correct, then hands voucher and bill vouched to the party authorized to approve the voucher (in this case Mr. Bell). If the bill is one of many small bills bought locally, these bills may be held until the 15th and then listed on one voucher blank, totaled and paid in one amount, and again, on the 31st all bills of that house bought since the 15th.

This does not apply when bills are of large amounts.

Marking Bills Vouched and Filing Same

The bills from which voucher is made are marked with date the voucher is made, and number of voucher, and then filed in a vertical file under proper letter, or in some other suitable place. In some houses these bills are pasted on a sheet of a manila scrap book, using one sheet for each house from whom you buy, so that all bills from that house will be together and following each other by date. Some use a loose leaf invoice book of manila leaves, and being loose leaf, allows the insertion of extra leaves at any part of the book, should the other sheets be filled. There are many advantages in keeping the invoices of each house together for quick reference and if no price book is kept, to facilitate pricing the inventory, or refreshing the memory on any occasion, it is very valuable as a time saver.

In many large concerns, the bills vouched are permanently attached

to the voucher that they may be examined quickly when examination is made by an outside auditor — though in small houses this may be unnecessary.

Entering Vouchers

The voucher, when approved, is entered in the Voucher Record, using one line (Fig. 38, page 130) and the voucher numbered, using the number on the line as shown by Register.

Ready for Payment

These vouchers are then ready for payment, and if not due, a brief pencil memo. made on due date in the diary of voucher number, name of creditor and amount. If the bank account may warrant discounting this bill, a memo. is made in the diary on date to be remitted.

Distributing and Posting

On the Voucher Record the total amount of voucher is entered in column "Amount," and *also* in any of the other columns to which it is to be charged. " Sundries " is any account not named in heading of a regular column and these amounts must be promptly posted to the account named in the voucher. Wages is distributed from pay roll on the voucher when made and after wages entered in Amount Payable column, must be entered each proportion as mentioned, in its respective column. The other columns have their respective amounts entered in like manner.

The accounts in Sundries column having been posted as occurring, the totals only of the regularly headed columns are, at the end of month, after ruling, posted by *debiting* totals to their respective ledger accounts, and the total of "Amounts Payable " column credited to Vouchers Audited.

This last account will always show, by balancing in pencil, the amount of vouchers unpaid, which may be verified by listing the unpaid vouchers, in the safe, which total amount should agree with ledger balance of Vouchers Audited.

Ruling Voucher Record

The Voucher Record is usually ruled up as per (Fig. 38, page 130) to bring all column footings in " Sundries " column, and after new footing, " Sundries " total should then agree with total of "Amounts Payable " column.

Paying and Posting

As the Vouchers are paid the number of the check drawn in payment is entered on the upper right-hand corner of the voucher.

If discount is deducted the memo. of discount is then made on the face of voucher that the party, to whom sent, may readily understand your figures; the charge is made on the Cash Book to "Vouchers Audited," and amount of voucher is put in "Vouchers Audited" column, not posted to the ledger as charged, but posted in one total at end of month. (Fig. 33.)

Discounting

If a voucher is subject to discount, charge on Cash Book in "Vouchers Audited" column, the full amount of voucher, in "Amount Paid" column the actual amount paid, or the face of the check, and in "Discount" column the discount deducted.

The total of the "Amount Paid" column together with the total of "Discount" column added, will equal the addition of the other columns on the credit side of the Cash Book. (Fig. 33, page 127.)

By this arrangement of the Cash Book, one posting at end of month answers for all vouchers paid, and is a great saving of time over the old way of posting each payment as entered.

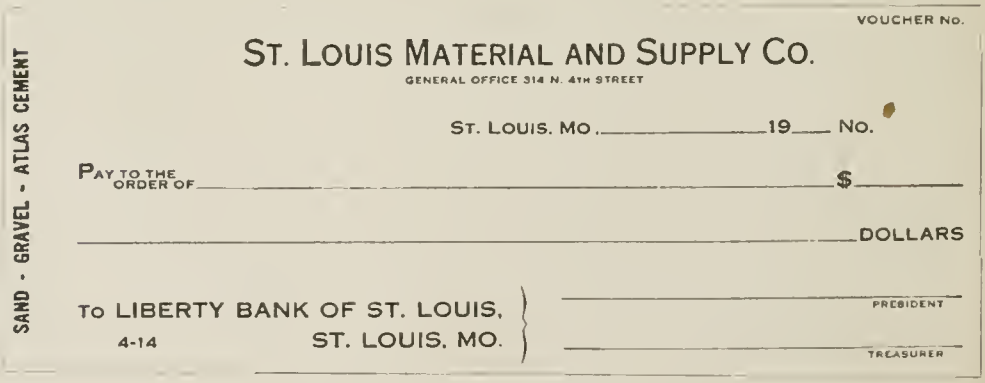
Marking Voucher Record as Vouchers Are Paid

On the voucher record is noted in "Date Paid" column, the day on which each voucher is paid, and a reference to this column shows vouchers unpaid, and is another check both on the ledger account and on the vouchers remaining in the safe.

No Letter Needed to go with Voucher

By using vouchers, letter writing when paying a bill, is unnecessary, as a voucher with check enclosed is sufficient.

If a stamped return envelope is enclosed with the check and voucher, a prompt return of voucher duly receipted is insured. But, many houses


VOUCHER No.

ST. LOUIS MATERIAL AND SUPPLY CO.

GENERAL OFFICE 314 N. 4TH STREET

SAND - GRAVEL - ATLAS CEMENT

ST. LOUIS, MO. _____ 19___ No.

PAY TO THE ORDER OF _____ $_____

_____ DOLLARS

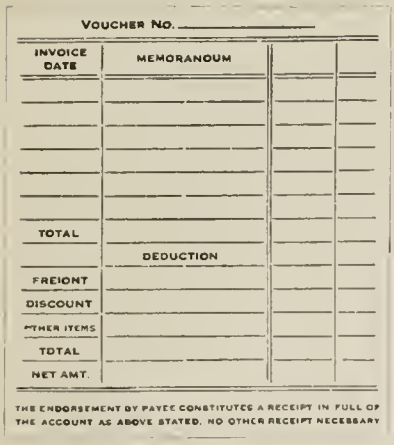
TO LIBERTY BANK OF ST. LOUIS, ST. LOUIS, MO.

4-14

_____ PRESIDENT

_____ TREASURER

FIG. 30A — Check.


VOUCHER NO. _____

INVOICE DATE	MEMORANDUM		
TOTAL			
	DEDUCTION		
FREIGHT			
DISCOUNT			
OTHER ITEMS			
TOTAL			
NET AMT.			

THE ENDORSEMENT BY PAYEE CONSTITUTES A RECEIPT IN FULL OF THE ACCOUNT AS ABOVE STATED. NO OTHER RECEIPT NECESSARY

FIG. 30B — Back of Check.

do not send their vouchers out for fear of losing one or more through carelessness of payee who might forget to sign and return them, and instead use the following plan: (See Figs. 30A and 30B.)

In addition to the usual serial check number — the cashier notes on the face of the check in ink — the number of the voucher which the check pays and in the printed space which appears on the reverse of the check, notes the particulars, and simply mails the check, which requires no other receipt, because the endorsement of the check establishes the fact of payment of that voucher.

Check Number on Voucher and Voucher Number on Check

It is also usual to note on the entry in the Cash Book when paying a voucher, the number of the check enclosed and on the check the voucher number. From many years' experience the convenience in tracing up a payment is most satisfactory, as vouchers show check number used, and on check the number of voucher which it pays.

Sales Book

Department Sales Book

The Sales Book in this set may be similar to the one used by Robert Bell & Co. (Figs. 23, page 91, and 35, page 128), and distribution of department goods used on each sale made on a separate columnar book, or, if preferred, a columnar book with one column for amount of bill and one column each for the respective department may be used and from the carbon or office copy, the distribution made (Fig. 36, page 128), or in each column of the proper department put the total amount of goods of that department used on each sale and at the end of month credit the sales of the respective departments, A, B, C, and D, with total shown, which when added should agree with total of "Amounts Sold" column.

The "Total Sold" has, as entered, been debited or charged to the customers' accounts, and by crediting the respective departments' Sales Account, the debits are equal to the credits, as in a journal.

Sales of Each Clerk

Should it be desirable to know the amount sold by each clerk, and also the amounts sold by them of each department, the columnar book is used,

giving each clerk a page, but if only the department, Cash Sales, and a check to see that all sales are to be accounted for, the columnar book may be used as (Fig. 37, page 129), and a similar page for charge sales.

The sales of each salesman and his usual sales ticket are shown that no tickets may be overlooked, but if a ticket is spoiled from any cause, that ticket turned in and so noted. (Fig 37, page 129.)

Monthly Record of Sales by Departments

The columnar book may not come ruled, just as it appears in this illustration, but with a rule and red ink, small columnar divisions may be made and thus avoid the expense of a book made to order.

At the end of the month the monthly totals of sales, and by departments, cash as well as charge sales, may be entered on a page of the book set apart and headed as (Fig. 34, page 129).

The total columns A, B, C, and D, added, should equal the total footing of Total column, which is also the sum of charge and cash sales.

Unless special sale tickets are used for each department the salesman should mark or letter on the bill of such goods, when making out his ticket, or put the department mark on the line with last of the several articles of that department.

Distribution of sales should be made as soon as convenient and may be noted in pencil on one corner of the carbon copy of each bill, as it may be, and later entered in the distribution column.

Using Lull in Business to Advantage

If a regular cashier handles the cash sales as made, he could in pencil on this columnar book, distribute the sales during a lull in the work, and by using this time judiciously, find at the end of the day all sales so distributed, and a footing of these departments and a proof of the totals, by comparing with the total cash sales, can be quickly made.

In this set No. 3 of department books, the ruling of the debit or left-hand side of the Cash Book may be similar in every respect to that of the Cash Book used by Robert Bell & Co., set No. 2, and entries similarly made, but in this set (Fig. 33, page 127) the credit side has rulings to record, voucher number, vouchers paid, instead of Merchandise and Expense, but other column similar to Cash Book of set No. 2. (Fig. 22, page 93.)

Paying and Charging Voucher

When a voucher is paid, the charge is to "Vouchers Audited," as that account assumed payment of all invoices and bills to be paid, as soon as

these bills were credited on the voucher record in the column "Amounts Payable," and the debits to the several accounts for which they were bought, made when the distribution totals are debited their account from the voucher record.

Discount or Deduction from Voucher. (Fig. 33, page 127.)

The column " Vouchers Audited " paid must contain the full amount of vouchers as recorded, so that the "Vouchers Audited" ledger account may be balanced and any deduction after the voucher is made, say by discount entered in discount column. But, if a deduction other than discount to be made, is later discovered, a journal entry is made, either debiting the Vouchers Audited account and crediting the account to which it was originally charged, and so noting plainly on the voucher that the proper amount only be later paid; or if the amount is for a voucher already paid, by charging the amount of deduction to the seller through the journal, requesting that seller to remit by check, or if not so done, deduct from the next voucher due that house, charging the full amount of voucher later paid, crediting the house on debit side of Cash Book for amount deducted in the Sundries column, and in the Amount Paid column on *credit* side of cash, write the amount actually paid. (Fig. 33, page 127.)

Some prefer to keep a memo. of any such deduction until an invoice is received later, make the deduction from the face of that invoice, explain the deduction on the voucher, and enter up this voucher for this difference or the face of bill, as it shows after the deduction is made.

Bills Payable

Bills payable are not usually included in the vouchers, but paid separately, the note being the voucher and charged in " Sundries " column; though, if preferred, a voucher may be made, describing the note and taken with check to bank, when it is to be paid and listed and treated as the other vouchers.

Canceled Notes Preserved

As all canceled notes kept in the safe can be easily produced, and as some banks may object to signing such a voucher, the Bills Payable are sometimes treated as shown in the Cash Book. (Fig. 33, page 127.)

At the end of the month the Cash Book is ruled as shown, the totals posted, balance brought down, and the Cash Book ready for the next month's entries.

CHAPTER XIV

Both Sets Have Same Customers—Set 3

AS the transactions shown in both sets of books, No. 2 and 3, are of like amounts, with the same persons, the same customers' ledger account (Fig. 26A and 26B, pages 96 and 97) are used bor both sets, and only the general accounts show any difference in treatment.

In this set the Voucher System plays an important part.

Instead of Crediting the Creditors on the Journal the accounts payable are written upon the vouchers and so recorded and the debt due a seller or creditor is transferred to Vouchers Audited and so remains until paid. When paid Vouchers Audited account is charged or debited that payment. The same customers as in Set 2 owe the same bills, though in Set 3 the sales are departmentized.

Instead of preparing new names, new transactions and dates, the previous ones are used that the comparison between the two may more fully be accentuated and the transition so clear that any merchant may be able to change at any time from general to department books when proper inventory is taken.

When possible a business should be departmentized. The time and extra work is a small price to pay for the satisfaction in being able to see, like the Texas Solon, "Where you are at," and which is the useless department, or, better still, start the investigation which may disclose why the department is not making money.

An intelligent man wants the truth and some men will insist on knowing all they can about their business and whether they are big enough for the job they fill.

We start with Trial Balance Nov. 30th (Fig. 32A) arranged by departments. (See page 125.)

In this set of Bell & Davis it may be as well to use the old style diary day-book as in the set Robert Bell & Co., and note the difference as we proceed. On the extreme right are the pages of Cash Book, Journal, Sales Book or Ledger of the entry.

(Figs. 32 to 50, pages 125 to 145, referred to on page 125 follow the diary, Figs. 31A to 31H, pages 117 to 124.)

Robert Bell's Diary - set 3 -

MEMO BY BELL — NOTES BY BOOKKEEPER ①

Friday Dec 1-

Cash Sales Counted Compared with distribution book & money deposited in Bank	38.70	Credited Cash Sales	CB	302
Sold A Safford bill per Carbon Copy herewith	67.40	Entered Sales Book Charged Safford's Acct distributed to Depts.	Led	57 217

Saturday Dec 2d

Cash Sales Counted Compared &c	45.42	Credited Sales	CB	302
Paid Vou N°472 - Eaton G.C. Check sent for Disch deducted	356.98 349.24 7.14	Debited Vou. audited Put in Am't paid Col. " " Disct Col.	356.98 CB 349.24 " 7.14 "	303 " "
Paid Vou. 476 Edgar Gro Co Check sent for Disct deducted	134.52 130.48 4.04	Debited Vou. Aud. put in Amt Paid Col " " Disct Col.	134.52 CB 130.48 " 4.04 "	303 " "
Sold B Sanden bill per Carbon Copy	80.75	Entered on Sales Book Posted in Sanden's a/c Distributed to Depts	Led	47 218
Made Voucher #500 Petty Cash Tickets attached Drew check & replaced amt in Cash drawer	8.70	Entered Genl Expense Vou Record Charged voucher audited.	CB	83 303
Made Vou 501 - Owen R.E.Co Rent for Dec & paid same	75.00	Entered on Voucher Record Chg'd Vou. Aud 501 -	CB	83 303
Made Vou 502 - Paul Ins Ag'cy premium Insurance on 1500.00 paid same by check	30.00	Ent'd 502 on Voucher Record Charged vouchers aud'd	CB	83 303
Made up Pay Roll Drew voucher 503 " Check & paid same	84.50	Entered Vou Record - distributed to wages A-B-C & D Charged vouchers Aud'd	CB	83 303

Monday Dec 4th

Received from Ben Ackers Check 4: Nat'l Bank & deposited in Bank	100.25	Credited Ackers & posted to Ledger	CB	302 102
Sold Savage bill	66.20	Entered Sales Book Distributed on Sept Book Posted Savages Ledger a/c	Led	47 219
Cash Sales Counted Compared &	33.14	Credited Sales	CB	47

FIG. 31A — Diary of Robert Bell, Third Set

Robt Bell's Diary Continued SET 3 (2)

BELL'S MEMO		BOOKKEEPER'S NOTES	
Tuesday Dec 5th			
Received of Chas Adams Check on Total S. Co	95.25	Credited Adams posted his a/c	CB 302 Led 103
Cash Sales - Counted &c	41.85	Credited Sales &c	CB 302
Sold D. Saylor bill	53.75	Ent'd on Sales Book posted debit Saylor Distribution by Dep'ts made	47 Led 220
Wednesday Dec 6th			
Rec'd of Dan Adger Check Citizens Bank	80.70	Credited Adger posted his ledger acct	CB 302 Led 104
Sold E. Scott bill	68.00	Ent'd on Sales Book posted debit Scott Distribution by Dep'ts.	47 Led 221
Cash Sales Counted &c	34.23	Credited Sales	CB 302
Thursday Dec 7th			
Sold F. Selby bill	90.05	Entered Sales Book posted Selby's acct	47 Led 222
Cash Sales Counted, Compared &c	37.35	Credited Sales	CB 302
Friday Dec 8th			
Rec'd of Fred Agee Check 4 N.B.K	121.95	Credited Agee posted his Credit	CB 302 Led 106
Rec'd of Geo Akins Check 4 N.B.K	85.60	Credited Akins posted his Credit	CB 302 Led 107
Counted & Compared Cash Sales	36.06	Credited Sales	CB 302
Paid Vou 488 - Eggers F.G. Co by check for deducting discount	201.36 196.89 4.47	Charged Vou Aud'd 488 Entered in Am't Pd Col " " Discount Col	201.36 CB 303 196.89 " " 4.47 " "
Paid Vou 490 - Ely Shoe Co by check deducting dis't	77.14 74.83 2.31	Charged Vou. Aud'd 490 Entered Am't Paid Col " Discount Col	77.14 CB 303 74.83 " 2.31 "
Made Vou 504 Typo Ptg Co for letter heads to pay A	28.80	Charged Vou Record " Vou Audited Cash Bk	VR 83 303
Paid Vou 494 Enno Hinto by check deducting disc't	158.20 155.04 3.16	Charged Vou Aud'd 494 Entered Am't Paid Col " Disc't Col.	158.20 CB 303 155.04 " 3.16 "

FIG. 5.B — Diary of Robert Bell, Third Ste — *Continued*

Robt Bell's Diary Continued SET-3-

BELL'S MEMO.		BOOKKEEPERS NOTES (3)	
Friday Dec 8- Continued			
Made Vou 505 favor Thos Parker for 30 Doz Eggs & paid	5.40	Entered on Vou Record Charged Vouchers Audited	83 CB 303
Sold bill G Seward	74.10	Entered on Sales Book posted Sewards debit	47 Led 223
Saturday Dec. 9th			
Received of Henry Alden check Local Trust Co	130.45	Credited Alden posted his debit	CB 302 Led 108
Cash Sales-Counted-Compared &c	63.50	Credited Sales	CB 302
Sold H Sexton bill	80.50	Entered on Sales Book Posted debit Sextons a/c Made usual Dept distribution	47 Led 224
Made Vou 506 for Pay Roll & paid same	84.50	Charged #506 - & Vouchers Audited distributing on Vou Record to Wages P. B C &c	CB 303 83
Made Vou 507 - Petty Cash attaching tickets, drew check & refunded drawer	8.25	Charged Vouchers Audited Entered proper accts Vou Record	CB 303 83
Monday Dec 11th			
Sold J. Shands bill	75.10	Entered in Sales Book Posted debit Shands distributed in Dept's &c	47 Led 225
Cash Sales- Counted-Compared &c	43.60	Credited Sales	CB 302
Made Vou 508 Towel Service Clean towels Nov. & paid	4.10	Entered in proper Columns Vou Reg. Charged Vouchers Audited	83 CB 303
Made Vou 509 Orphans Bazaar for tickets - gave check	5.00	Entered in proper Col - Vou Reg. Charged Vouchers Audited	83 CB 303
Tuesday Dec 12th			
Sold J Sharp - bill	80.80	Entered Sales Book posted to Sharps a/c	47 Led 226
Received of Isaac Allen ck Citizens Bank	115.75	Credited Allen posted his credit	CB 302 Led 109
Cash Sales - Counted &c	37.22	Credited Sales	CB 302

FIG. 31C — Diary of Robert Bell, Third Set — *Continued.*

Robt Bell's Diary Continued SET 3

BELL'S MEMO		BOOKKEEPER'S NOTES (4)	
Wednesday Dec 13th			
Sold K Shaw bill	95.00	Entered in Sales Book posted Shaw's debit	47 Led 227
Counted & Compared Cash Sales	51.10	Credited Sales	CB 302
Thursday Dec 14th			
Sold L. Shea bill	97.70	Entered in Sales Book posted Shea's debit	47 Led 228
Cash Sales Compared &c	33.35	Credited Sales	CB 302
Friday Dec 15th			
Albright pais his note #76 gave him canceled note	128.00	Credited No. 76 - Bills Receivable posted Credit " "	CB 302 Led 11
Sold M. Sherman	94.00	Entered Sales Book posted debit Sherman	47 Led 229
Cash Sales Counted &c	46.10	Credited Sales	CB 302
Saturday Dec 16th			
Recd of Kent Annan check 4 2131c	109.55	Credited Annan posted his A/C	CB 302 Led 111
Cash Sales Counted &c	57.02	Credited Sales	CB 302
Listed Petty Cash tickets made voucher 510 - drew ck refunded drawer	8.40	Entered Voucher Record Charged Vou. audited	S3 CB 303
Made Vou 512 Beck Painting Co Xmas signs - & paid by check	6.90	Entered Voucher Record Charged Vouchers audited	S3 CB 303
Made up payroll Vou 513 drew check - & with Currency paid	84.50	Entered Vouch Record - distributed Charged Vouchers audited	S3 CB 303
Sold A. Shields bill	114.00	Entered Sales Book Charged Shields posting	47 Led 230
Received of A Shields his note Dec 8 - 30 days after date	114.00	Credited Shields - & debited Bills Rec'ble posted Credit Shields " debit Bills Receivable	Jl 170 Led 11
Received goods from Eaton Grocer Invoice 7/4 - checked OK made out Voucher 511	648.40	Entered on Vou Record made memo in pencil on diary to discount it on 22d & filed Voucher in safe ready for payment then	S3

FIG. 31D — Diary of Robert Bell, Third Set — *Continued.*

Robt Bell's Diary Continued SET 3 (5)

BELL'S MEMO:		BOOKKEEPER'S NOTES-	
Monday Dec 18th			
Sold O. Short bill	96.20	Entered Sales Book Posted Short's debit	47 Led 231
Cash Sales Counted &c	48.05	Credited Sales	CB 302
Bought of Jones - Eggs - 30 Dz for Shipment to Bray Com Co on Consignment for our a/c Made vou 514 - drew ck & paid	5.40	Entered Sundr Colum Changed Vou audited 514 posted from Vou Record to debit Bray Consignment 5.40	Vou Rec 83 CB 303 Led 50
Made vou 515 favor P.Q.Z R.R.Co freight on goods per bill & paid by check	5.50	Entered Vou Record distributing in proper Columns Charged Vou. Audited	83 CB 303
Rec'd goods from Eggers & Co Goods checked ok. made vou 516	129.69	Entered proper Columns noted in diary on 12/22 days to discount placed voucher in safe ready for payment	Vou Rec 83
Tuesday Dec 19th			
Rec'd from Nat. Astor ck on A-nsk	110.65	Credited Astor posted to his a/c	CB 302 Led 114
Counted Cash Sales &c	51.10	Credited Sales	CB 302
Sold B. Sims - bill	98.10	Entered Sales Book posted Sims debit	47 Led 232
Wednesday Dec 20th			
Rec'd goods from Enos & Co Invoice 12/18 - checked ok made vou 517	320.75	Entered Vou Record # 517 made pencil memo in diary to discount filed vou in safe until 12/26	83
Sold R. Skelly bill	105.10	Entered on Sales Book posted debit of Skelly	47 Led 233
Cash Sales Counted &c	53.04	Credited Sales	CB 302
Thursday Dec 21st			
Rec'd from Bray Com'n Co check on Metro Bank proceeds Consignment of 17th	8.55	Credited Bray Consignment &c posted the acct	CB 302 Led 50
Cash Sales Counted &c	59.12	Credited Sales	CB 302
Sold S. Sloan bill	115.10	Entered Sales Book Posted to his a/c	47 Led 234
R. Skelly returned one pair Shoes bought 12/20, did not fit -	12.00	Credited Skelly Journ 170 - posted Charged Sales " 170 - Dpt c Goods put back into Stock	Led 233 " 27

Fig. 31E — Diary of Robert Bell, Third Set — *Continued.*

Rob't Bell's Diary Continued SET 3 (6)

MEMO BY BELL		NOTES BY BOOKKEEPER	
Friday Dec. 22nd			
Made note 17/22 - 30 d/d took it to 4th NBk & had it discounted No. 19	15000 -	Entered No. 19 in Bill Book Credited Bill Payable - Sund. Col posted	CB 302 Led 8
Bank Credits proceeds charged discount	14925 75	Entered Amount Rec'd Col 14925 " Int. Disct paid " 75	CB 302 " 302
Cash Sales Counted &c	7300	Credited Sales	CB 302
Sold J. Small bill	137.20	Entered & made distribution posted to his debit	SB 47 Led 235
Paid on note #18 due today at 4 NBk & brought back Cancelled Note	150.00	Charged Bill Payble Sundry Col posted debit of that a/c	CB 303 Led 8
Paid Vou. 511 Eaton Grocs. sending check for deducting discount	648.40 641.92 6.48	Charged Vou and 511. 648.40 Entered Amount paid Col 641.92 " Disct " 6.48	CB 303 " " " "
Paid Vou 516 Eggs Fgl. sending check deducting disct	129.69 127.11 2.58	Charged Vou Aud. 516 - 129.69 Entered Amt. paid Col 127.11 " Disct " 2.58	CB 303 " " " "
Saturday Dec 23d			
Cash Sales Counted, Compared &c	69.00	Credited Sales	CB 302
Sold M. Smith bill	139.00	Entered Sales Book posted his debit distributed to Departments as usual	47 Led. 236
Made up Pay Roll - Vou 518 drew check - got cash & paid	100 50	Entered Vou Record - distributing to wages a. B C &c Charged Vou and 518 -	" 83 CB 303
Made Petty Cash Vou 519 attaching tickets - drew chk Collected & replenished drawer	11.35	Entered Vou Record - improper distribution Charged Vou audited	83 CB 303
Made Vou 520 - Strikes Ch. Fair drew check & paid	10.00	Charged Vou 520 to Gene Exp - VR " Cash Book - Vou and -	83 303
Tuesday Dec 26th			
Rec'd of Ollie Atkins check on Citizens Bank	89.80	Credited Atkins posted his a/c	CB 302 Led 115
Cash Sales Counted &c	41.10	Credited Sales.	CB 302

Fig 31F.—Diary of Robert Bell, Third Set — *Continued.*

Robt. Bell's Diary Continued SET 3 (7)

BELL'S MEMO		BOOKKEEPERS NOTES	
Tuesday Dec 26th Cont'd			
Sold V. Snyder bill	3.10	Entered Sales Book Distributed Dept Sales Posted Snyders a/c	47 Ld 237
Paid Vou 517 Emno Hdwe Co sending check deducting discount	320.75 314.33 6.42	Charged 517-Vou Aud'd Entered Amt paid Col " Discount "	320.75 CB 303 314.33 - - 6.42 - -
Made Vou 521 Carbon Coal Co paid by check	14.00	Entered & distributed on Vou Record Charged 521-Vou Audited	83 CB 303
P.O.Z. R.R. presented bill freight made Vou 524 - paid by check	2.22	Ent'd & distributed on Vou Record Chg'd Voucher Audited	83 CB 303
Rec'd goods Edgar D. Gl. Inv. 17/24 checked OK & put in Stock	173.52	Made Vou form Edgar D. Gl. 522 Entered in proper Col Vou Register made pencil memo on diary on day to remit & filed Vou in Safe	83
Rec'd goods, Ely Shoe Co Inv. 17/24 checked OK & put in Stock	67.93	Made Vou 523 form Ely Shoe Co Ent'd in Vou Register noted in diary date to remit & filed vou	83
Wednesday Dec 27th			
Sold W. Snow bill	78.15	Entered on Sales Book Distributed & posted Snow a/c	47 Ld 238
Counted & Compared Cash Sales	49.15	Entered Cash to Sales	CB 302
Thursday Dec 28th			
Sold X. Sparks bill	101.00	Entered on Sales Bk Distributed in Dept Sales & posted in Ld	47 239
Cash Sales, Counted Compared &c	55.25	Credited Sales Distributed in Dept Sales.	CB 302
Friday Dec 29th			
Rec'd from Matt Arnold Check Local Trust Co	125.40	Credited Arnold posted to his acct	CB 302 Ld 113
Rec'd of Pat Ayres check in 4 mos	116.35	Credited Ayres CB 302. posted Ld 90	116
Cash Sales Counted &c	47.05	Distributed Dept & Credited Sales	CB 302
Sold Y. Spear bill	69.00	Entered Sales Book Distributed Dept Sales - Posted to Spears debit	47 Ld 240

Fig. 31G — Diary of Robert Bell, Third Set — *Continued.*

Robt Bell's Diary – Continued SET 3 (8)

BELL'S MEMO.		BOOKKEEPERS NOTES		
Saturday Dec 30th				
Made up Pay Roll & Vou 525 drew check – got Cy & paid	10450	Charged Vou 525 Cash Bk Distributed on Vou Record to wages A-B-C &c marked Vou Rec'd – paid		303 23
Listed tickets in drawer, made up Petty Cash Vou 526 drew check – got Cy & refunded amount in drawer	980	Entered on Vou Register to proper A/c Charged Vou audited	CB	23 303
City Light & Power Co sent bill for Electric Light – paid by check Drew Vou 527	1420	Entered Vou Register & distributed Charged Vou audited Vou 527 & marked date paid	CB	23 303
Cash Sales Counted &c	4440	Credited Sales Distributed in Dept Sales Bk	CB	302
Sold Z Stark bill	680	Entered Sales Book Distributed Dept Sales Bk Posted Stark's a/c	Led	47 241

BELL & DAVIS
SET 3

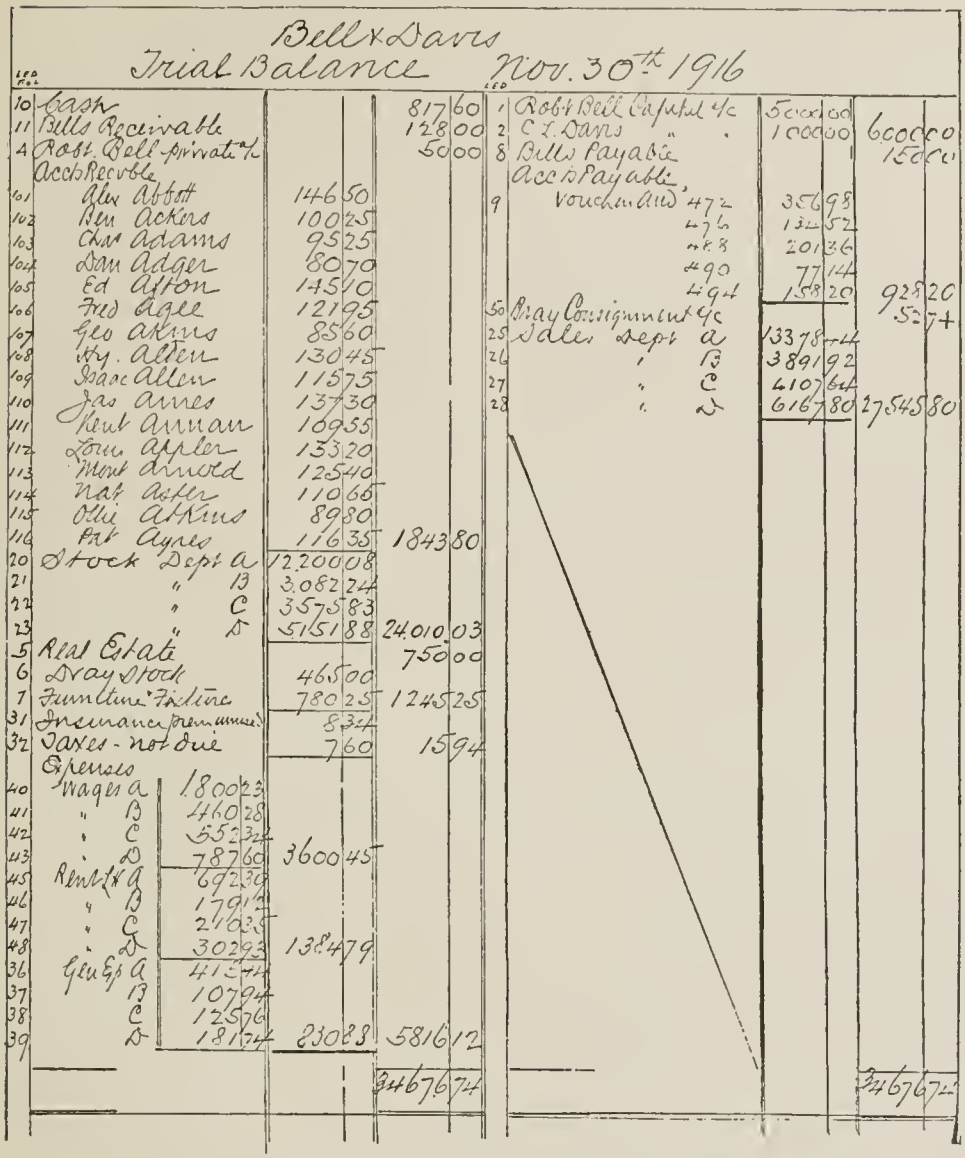
FIG. 31H — Diary of Robert Bell, Third Set — *Continued.*

The diary is placed just before the books in which the transactions mentioned are entered because it was considered easier to follow the entries.

Explanation is made of Voucher System, department segregation, etc. Elsewhere should any entry need fuller explanation the index at back of the volume gives page and illustration. The Ledger accounts show the balances at beginning of year and the dates upon which we start the entries of this Set.

The expenses might have been more minutely segregated into a number of divisions, but the simple segregation is more easily grasped and should when understood have served the purpose of familiarizing the reader with the reasons to such an extent that the principles may easily be applied in actual business to attain any degree of segregation desired.

As you are aware, we separated the stock of merchandise by taking inventory at first of year into its proper classes so that what was Stock, or Merchandise, is now Stock A, B, C and D. An examination of the ledger accounts of these (Fig. 41A, page 132) will not only show the inventory



Bell & Davis
Trial Balance Nov. 30th 1916

Folio					Folio				
10	Cash			817 60	1	Robt Bell Capital a/c	5000 00		
11	Bills Receivable			128 00	2	C L. Davis "	1000 00	6000 00	
4	Robt. Bell private a/c			50 00	8	Bills Payable		150 00	
	Acct Recvble					Acct Payable			
101	Alex Abbott	146 50			9	Voucher and 472	356 98		
102	Ben Ackers	100 25				476	132 52		
103	Chas Adams	95 25				488	201 36		
104	Dan Adger	80 70				490	77 14		
105	Ed Afton	145 40				494	158 20	925 20	
106	Fred Agee	121 95			50	Bray Consignment a/c			527
107	Geo Akins	85 60			25	Sales Dept a	13378 44		
108	Hy. Allen	130 45			26	" B	3891 92		
109	Isaac Allen	115 75			27	" C	4107 64		
110	Jas Ames	137 30			28	" D	6167 80	27,545 80	
111	Kent Annan	109 55							
112	Lou Appler	133 20							
113	Mort Arnold	125 40							
114	Nat Aster	110 65							
115	Ollie Atkins	89 80							
116	Pat Ayres	116 35		1843 80					
20	Stock Dept a	12,200 08							
21	" B	3,082 24							
22	" C	3575 83							
23	" D	5151 88		24,010 03					
5	Real Estate			750 00					
6	Dray Stock	465 00							
7	Furniture & Fixtures	780 25		1245 25					
31	Insurance prem unexpired	834							
32	Taxes - not due	760		1594					
	Expenses								
40	Wages a	1800 23							
41	" B	460 28							
42	" C	552 32							
43	" D	787 60	3600 45						
45	Rent & a	692 30							
46	" B	179 14							
47	" C	216 35							
48	" D	302 93	1384 79						
36	Gen Exp a	412 74							
37	B	107 94							
38	C	125 76							
39	D	181 74	2308 38	5816 12					
				34,676 74					34,676 74

FIG. 32A.—Trial Balance, Set 3.

to start the year, but, for convenience, the total of the several classes of goods bought up to Nov. 30th (Fig. 32A), and then Fig. 38B, page 131) for December.

The amounts shown above are the totals of inventory Jan. 1st together with the purchases since, making the balances on Nov. 30th which appear here.

Expenses, Sales, etc., have been similarly treated.

As a means of more clearly considering the change, compare these balances with those corresponding in Set 2 (Fig. 19, p. 29), and pursue the same course with the ledger accounts so affected.

302

Dr. Cash Received - Bell & Davis - Dec. 1916

Date		Ledger Fol.	Received from	Particulars	Cash Sales	Customers	Sundries	Net Amt Rec'd	Interest Paid
Dec	1		Balance	from Nov 30-			817 60	817 60	
	"	✓	Cash Sales		38 70			38 70	
	2	✓	do		45 42			45 42	
	4	102	Ben Ackers	4th Nat Bank		100 25		100 25	
	"	✓	Cash Sales		33 14			33 14	
	5	103	Chas Adams	Local Trust Co		95 25		95 25	
	"	✓	Cash Sales		41 85			41 85	
	6	104	Danl Adger	Citizens Bank		80 70		80 70	
	"	✓	Cash Sales		34 23			34 23	
	7	✓	do		37 35			37 35	
	8	106	Fred. Agee	4th Nat Bk		121 95		121 95	
	"	107	Geo. Atkins	" "		85 60		85 60	
	"	✓	Cash Sales		36 06			36 06	
	9	108	Hy. Alden	Local Trust Co		130 45		130 45	
	"	✓	Cash Sales		63 50			63 50	
	11	✓	do		42 60			42 60	
	12	109	Isaac Allen	Citizens Bk		115 75		115 75	
	"	✓	Cash Sales		37 22			37 22	
	13	✓	do		51 10			51 10	
	14	✓	do		33 35			33 35	
	15	11	Bills Receivable	#76 Albright paid			128 00	128 00	
	"	✓	Cash Sales		46 10			46 10	
	16	111	Kent Annan	4th Nat Bk		109 55		109 55	
	"	✓	Cash Sales		57 02			57 02	
	18	✓	do		48 05			48 05	
	19	114	Nat Aster	4th Nat Bk		110 65		110 65	
	"	✓	Cash Sales		51 10			51 10	
	20	✓	do		53 04			53 04	
	21	50	Bray Consignment	A. Metro Bk			8 55	8 55	
	"	✓	Cash Sales		59 12			59 12	
	22	8	Bills Payable	#19 - Dist 4th Nat Bk			150 00	149 25	75
	"	✓	Cash Sales		73 00			73 00	
	23	✓	do		69 00			69 00	
	26	115	Ollie Atkins	Citizens Bk		89 80		89 80	
	"	✓	Cash Sales		41 10			41 10	
	27	✓	do		49 15			49 15	
	28	✓	do		55 25			55 25	
	29	116	Pat. Agnes	4th Nat Bk		116 35		116 35	
	"	113	Mont. Arnold	Local Trust Co		125 40		125 40	
	"	✓	Cash Sales		47 05			47 05	
	30	✓	do		44 40			44 40	
	"	29	Sales	Cash Sales Dec'r	1187 90		1187 90		
		✓	Customers	Paid as in "		1281 70	1281 70		
							3573 75		
		33	Interest - Debt	paid ord in "			75		75
				Total 3573 00			3573 00	3573 00	
				Less Bal. 1/1 817 60					
		10	Cash Debt	Total rec'd Jan 27 2755 40					
1917 Jan	1		Balance on hand	from Dec 30-			721 04	721 04	

FIG. 32B — Set 3.

The debit side of Cash Book, Set 3, is similar to that of Set 2 (Fig. 21, page 92). The receipts of cash from customers is not affected by the departmentization and the Cash Sales which include goods from each department are here entered without distinction, later segregated as shown (Fig. 37, page 129) and after segregating charged sales (Fig. 36, page 128), and transferred to their several departments by Journal Entry (Fig. 34, page 129.)

303

Bell & Davis - Cash Paid Out in Dec - 1916

Date		Led Fol	Paid To	For	Check No.	Vou No.	Vouchers Audited	Sundries	Net Am't Paid	Disc't Rec'd
Dec	2	✓	Vouchers Audited	Eaton Gro Co	97	472	356 98		349 84	7 14
	"	✓	"	Edgar Dg. Co	98	476	134 52		130 48	4 04
	"	✓	"	Petty Cash	99	500	8 70		8 70	
	"	✓	"	Owens R E Co	100	501	75 00		75 00	
	"	✓	"	Pan Ins Agency	101	502	30 00		30 00	
	"	✓	"	Wages	102	503	84 50		84 50	
	8	✓	"	Eggers Dg. Co	103	488	201 36		196 89	4 47
	"	✓	"	Ely Shoe Co	104	490	77 14		74 83	2 31
	"	✓	"	Dypo Staty Co	105	504	28 80		28 80	
	"	✓	"	Enno Hdw. Co	106	494	158 20		155 04	3 16
	"	✓	"	Thos. Parker	107	505	5 40		5 40	
	9	✓	"	Wages	108	506	84 50		84 50	
	"	✓	"	Petty Cash	109	507	8 25		8 25	
	11	✓	"	Towel Service Co	110	508	4 10		4 10	
	"	✓	"	Oppenheim Bazaar	111	509	5 00		5 00	
	16	✓	"	Petty Cash	112	510	8 40		8 40	
	"	✓	"	Peck Painting Co	113	512	6 90		6 90	
	"	✓	"	Wages	114	513	84 50		84 50	
	18	✓	"	Gray Consignment Co	115	514	5 40		5 40	
	"	✓	"	PQZ-RRC	116	515	5 50		5 50	
	22	✓	"	Eaton Gro Co	117	511	648 40		641 92	6 48
	"	✓	"	Eggers Dg. Co	118	516	129 69		127 11	2 58
	"	8	Bills Payable	#18 due at ARBK	119			150 00	150 00	
	23	✓	Vouchers Audited	Wages	120	518	100 50		100 50	
	"	✓	"	Petty Cash	121	519	11 35		11 35	
	"	✓	"	Strikes Church	122	520	10 00		10 00	
	26	✓	"	Enno Hdw. Co	123	517	320 75		314 33	6 42
	"	✓	"	Carbon Coal Co	124	521	14 00		14 00	
	"	✓	"	PQZRR	125	524	2 22		2 22	
	30	✓	"	Wages	126	525	104 50		104 50	
	"	✓	"	Petty Cash	127	526	9 80		9 80	
	"	✓	"	City Light & P Co	128	527	14 20		14 20	
	"	✓								
	"	9	Vouchers Audited	Total paid in Dec			2738 56	2738 56		
								2888 56		
	"	30	Discount Cr	Disc rec'd in "				36 60		36 60
	"	10	Cash Cr	Cash paid out in "				2851 96	2851 96	
			Balance on hand	- Carried forward to Jan 1				721 04	721 04	
								3573 00	3573 00	

Fig. 33 — Set 3

The credit side of Cash Book — Set 3, is radically different in arrangement from that of Set 2 — (Fig. 22, page 93). In Set 3 merchandise bought is entered on vouchers and segregated at time on Voucher Record. Expense and Sundries are also treated in same manner, so that instead of being posted to the respective accounts from the Journal, they are posted in the totals from the Voucher Record.

In the column "Vouchers Audited," above, are charged all vouchers as paid and only posted to the ledger in one total, $2,738.56, at end of the month.

The sundries column is used for such payments as are not paid by voucher, though some bookkeepers make a voucher for every disbursement. The procedure is optional and carried out according to the views of the user.

SALES BOOK 47

DATE		LED FOL	ADDRESS	NAME	SALESMAN INITIAL	SALESMAN No	SHIPPED BY	AMOUNT	
Dec	1	217		A Safford				67	40
	2	218		B. Sanders				80	75
	4	219		C Savage				66	20
	5	220		D. Saylor				53	75
	6	221		E. Scott				68	00
	7	222		F. Selby				90	05
	8	223		G. Seward				74	10
	9	224		H Sexton				80	50
	11	225		I. Shands				70	10
	12	226		J. Sharp				80	80
	13	227		K. Shaw				95	00
	14	228		L. Shea				97	70
	15	229		M Sherman				94	00
	16	230		N Shields				114	00
	18	231		O Short				96	20
	19	232		P Sims				98	10
	20	233		R Skelly				105	10
	21	234		S. Sloane				115	10
	22	235		T Small				137	20
	23	236		U. Smith				139	00
	26	237		V. Snider				83	10
	27	238		W. Snow				78	15
	28	239		X. Sparks				101	00
	29	240		Y. Spear				69	00
	30	241		Z. Stark				66	80
		29	Sales Credited	for Charge Sales in Dec				2226	10

Fig. 35

This is similar in every respect to Fig. 23, page 91, except that in Set 3 Sales Account is on page 29 of Ledger and must be separated into Departments later.

SALES SEGREGATED BY DEPARTMENTS SET-3-

DATE		NAME	TOTALS		DEPARTMENTS A		B		C		D	
Dec	1	A Safford	67	40	31	10	18	55			17	75
	2	B. Sanders	80	75	41	50	32	20	7	05		
	4	C Savage	66	20	32	20	34	00				
	5	D Saylor	53	75	21	25					32	50
	6	E Scott	68	00	29	50	14	50			24	00
	7	F Selby	90	05	52	25	21	75	14	05	2	00
	8	G Seward	74	10	53	10	11	00			10	00
		rc										
	30	Z Stark	66	80	56	30	10	50				
		Total Charge Sales	2226	10								
		Department Sales			1176	25	296	90	284	50	468	45

Fig. 36 — Sales by Department

It may be more convenient to use a Sales Book ruled as Fig. 35, later segregate the department goods, and use the figures in transferring from General Sales account to Departments as per Fig. 34.

If, however, it is preferred, Fig. 36 may be used, entering the amount of each sale in the first column that no delay need occur in posting to customers' debit and later segregate and credit sales by Department from the department column. This, of course, is done if it meets the views of each manager. When the principles of segregation are understood the practice admits of many variable and time-saving arrangements.

CASH SALES SEPARATED — BY SALESMAN & DEPARTMENT

Dec	Ticket No. Bell	Davis	Tick	Del'd	Deg	Total Cash Sales To Date	Today	Salesmen Bell	Davis	Decker	Delano	Degan	Departments A	B	C	D
1	35						1 75	1 75					1 75			
		27					2 00		2 –						2 –	
			16				3 00			3 –			1 –			2 –
				4			1 50				1 50		1 50			
					11		1 –					1 –		1 –		
					12		50					50		50		
			17				4 –			4 –			1		1	2
		28					3 70		3 70				1			2 70
				5			75				75					75
	36						2 –	2 –					2 –			
			18				1 20			1 20			1 20			
					13		1 –					1 –		1 –		
		30					4 –		4 –				4 –			
				6			1 25				1 25					1 25
	37						3 10	3 10								3 10
				7			50				50		50			
			19				20			20			20			
	38						1 –	1 –					1 –			
					14		85					85		85		
					15		65					65		65		
	39						4 75	4 75					4 55			20
						38 70	38 70	12 60	9 70	8 40	4 00	4 00	19 70	4 00	3 00	12 00

FIG. 37 — Sales by Salesmen and Department

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Ledger Folio			General Accounts DR	CR	Customers DR	CR
		16				
11		Bills Receivable Dr	114 00			
	230	To N. Shields his note 7/16. 30 d/a #77				114 00
		21				
27		Sales C Dr	2 00			
	233	To R. Skelly goods returned per Cr Memo				2 00
		30				
29		General Sales Dr	3414 00			
	25	To Sales A for Dec chang 1176.25 Cash 608 49		1784 74		
	26	" B " " 296.90 " 104 78		451 68		
	27	" C " " 284.50 " 177 75		462 25		
	28	" D " " 468.45 " 246 88		715 33		
		30				
	44	Departments Dr To Genl Rent Light Heat		103 20		
45		Rent Light Heat A its proportion of 103.20 in Dec	51 60			
46		" B " " " "	12 90			
47		" C " " " "	16 13			
48		" D " " " "	22 57			
		30				
	35	Departments Dr To General Expense		101 30		
36		Genl Expense A its proportion of 101.30 Dec	50 65			
37		" B " " " "	12 66			
38		" C " " " "	15 82			
39		" D " " " "	22 17			

FIG. 34 — Journal — Set 3

83 VOUCHER RECORD Bell & Davis

Date Vouched		Vou No	Favor of	For	Amounts Payable	Sundries Fol	Sundries Amount
Dec	2	500	Petty Cash	per tickets	8 70	✓	
	"	01	Owen R E. Co	rent for Dec'r	75 00	✓	
	"	02	Pan Ins. Agency	premium on 1500 pol.	30 00	31	30 00
	"	03	Wages "	week ending 2nd	84 50	✓	
	4	04	Typo Printing Co	letter + bill heads	28 80	✓	
	8	05	Thos. Parker	1 case Eggs	5 40	✓	
	9	06	Wages	week ending 9th	84 50	✓	
	"	07	Petty Cash	per tickets	8 25	✓	
	11	08	Towel Service Co	Towels in Nov.	4 10	✓	
	"	09	Orphans Bazaar	tickets	5 00	✓	
	16	510	Petty Cash	per tickets	8 40	✓	
	"	11	Eaton Gro. Co	invoice Dec 14th	64 8 40	✓	
	"	12	Peck Painting Co	Xmas signs + decoration	6 90	✓	
	"	13	Wages	Week Ending 16th	84 50	✓	
	18	14	Bray Consignment %	30 doz Eggs - Shpt	5 40	50	5 40
	"	15	P.Q.Z. R.R.	Freight	5 50	✓	
	"	16	Eggers D.G. Co	invoice 12/16	129 69	✓	
	20	17	Omo Haw. Co	" 12/16	320 75	✓	
	23	18	Wages	week ending 23d	100 50	✓	
	"	19	Petty Cash	per tickets	11 35	✓	
	"	520	St Pickes Church	Subscription to Fair	10 00	✓	
	26	21	Carbon Coal Co	coal	14 00	✓	
	"	22	Edgar D.G. Co	invoice 12/24	173 52	✓	
	"	23	Ely Shoe Co	" 12/24	67 93	✓	
	"	24	P.Q.Z. R.R.	freight	2 22	✓	
	30	25	Wages	week ending 30th	104 50	✓	
	"	26	Petty Cash	per tickets	9 80	✓	
	"	27	City Light + P. Co	electric light	14 20	✓	
	"		Wages A	vouched for month		40	212 50
	"		" B	" " "		41	69 75
	"		" C	" " "		42	79 75
	"		" D	" " "		43	100 50
	"		Rent Light Heat	" " "		44	103 20
	"		Genl Expense	" " "		35	101 30
	"		Stock A	" " "		20	656 28
	"		" B	" " "		21	174 88
	"		" C	" " "		22	179 45
	"		" D	" " "		23	322 80
	"			Credit Vouchers Audited	2051 81	9	2051 81

FIG. 38.A — Voucher Record, Left Hand.

The above ruling, or such as may suit, need not be confined to a folio page (two pages facing), but may extend over four or more pages, by the arrangement usually described as "The Short Leaf Book." If four pages are considered necessary, two wide and two narrow pages, about three inches of every second sheet is trimmed off, the left hand margin is used. The columns, date of voucher, voucher number, favor of, followed by description and amount, on the first short page, on which may be ruled also space for Sundries; on next page wages A, B, C and D, and on the fourth or wide page the other columns as needed.

December 83

WAGES A	WAGES B	WAGES C	WAGES D	RENT, LIGHT & HEAT	GENERAL EXPENSE	STOCK A	STOCK B	STOCK C	STOCK D	DATE PAID
					8 70					12/2
				75 00						"
										"
42 50	10 75	12 75	18 50							"
					28 80					12/8
						5 40				"
42 50	10 75	12 75	18 50							12/9
					8 25					"
					4 10					12/11
					5 00					"
					8 40					12/16
						648 40				12/22
					6 90					12/16
42 50	10 75	12 75	18 50							"
										12/18
						2 48			2 05	"
								129 69		12/22
									320 75	12/26
42 50	18 75	16 75	22 50							12/23
					11 35					"
					10 00					"
				14 00						12/26
							173 52			
								67 93		
							1 36	86		12/26
42 50	18 75	20 75	22 50							12/30
					9 80					"
				14 20						"
212 50										
	69 75									
		75 75								
			100 50							
				103 20						
					101 30					
						656 28				
							174 88			
								199 45		
									322 80	

Fig. 38B — Voucher Record, Right Hand.

A voucher may be entered and the distribution of that voucher may be made across any one or more of the pages, upon the same continuous line, just as if it were one wide sheet.

The ruling may be arranged to suit the details of the business.

The totals of the columns are all carried to the "Sundries" Column at end of month and when "Sundries" Column is then footed and that total should agree with Account Payable Column.

The regular accounts are posted by monthly totals. The Sundries or occasional accounts each posted promptly after entering.

Robert Bell Capital Acct — 1

Date			Fol	Debit	Date			Fol	Credit
					Nov	30	Bal		5000 00

C. L. Davis Capital Acct — 2

					Nov	30	Bal		1000 00

Robert Bell private account — 3

Nov	30	Bal		50 00					

Real Estate — 5

Nov	30	Bal		750 00					

Drug Stock — 6

Nov	30	Bal		4650 00					

Furniture & Fixtures — 7

Nov	30	Bal		780 25					

Bills Payable — 8

Dec	22	Cash #18	303	150 00	Nov	30	Bal #18		150 00
					Dec	22	Cash #19		150 00

Vouchers Audited — 9

Dec	30	Cash	303	2738 56	Nov	30	Bal		928 20
		Bal		241 45	Dec	30	Vou Record	83	2051 81
				2980 01					2980 01
					Dec	30	Bal		241 45

Cash — 10

Nov	30	Bal		817 60	Dec	30	Cash paid in Dec	303	2851 96
Dec	30	Cash rec'd in Dec	303	2755 40			Bal		721 04
				3573 00					3573 00
Dec	30	Bal		721 04					

Bills Receivable — 11

Nov	30	Bal		128 00	Dec	15	Cash #76	302	128 00
Dec	16	Shields #77		114 00					

Stock A — 20

Jan	1	Inventory 2218.40							
Nov	30	Bought since 9981.68		12200 08					
Dec	30	Voucher Record	83	656 28					
				12856 36					

Stock B — 21

Jan	1	Inventory 415.75							
Nov	30	Bought since 2666.49		3082 24					
Dec	30	Voucher Record	83	174 88					
				3257 12					

Stock C — 22

Jan	1	Inventory 464.61							
Nov	30	Bought since 3111.22		3575 83					
Dec	30	Voucher Record	83	199 45					
				3775 28					

Stock D — 23

Jan	1	Inventory 896.04							
Nov	30	Bought since 4282.84		5151 88					
Dec	30	Voucher Record	83	322 80					
				5474 68					

Sales A — 25

					Nov	30	Bal		13378 44
					Dec	30	Gens Sales	J170	1784 74
									15163 18

Sales B — 26

					Nov	30	Bal		3891 92
					Dec	30	Gens Sales	J170	451 68
									4343 60

LEDGER ACCTS BEFORE CLOSING — FIG. 41-A — BELL & DAVIS. SET 3

Sales C — 27

DATE			FOL	DEBIT	DATE			FOL	CREDIT
Dec	21	Shelly ret goods	J170	2 00	Nov	30	Bal		4107 64
					Dec	30	Genl Sales	J170	462 25

Sales D — 28

					Nov	30	Bal		6167 80
					Dec	30	Genl Sales	J170	715 33
									6883 13

General Sales — 29

Dec	30	Department Sales	J170	3414 00	Dec	30	Cash Sales Dec	C302	1187 90
						"	Charge Sales Dec	S-47	2226 10
				3414 00					3414 00

Discount Acct — 30

					Dec	30	Cash-rec'd in Dec	303	36 60

Insurance — 31

Nov	30	Bal		8 34					
Dec	2	Vou Record	S3	30 00					
				38 34					

Taxes — 32

Nov	30	Bal		7 60					

Interest — 33

Dec	30	Cash paid Dec	302	75					

Genl Expense Sundries — 35

Dec	30	Vou Record	S3	101 30					

General Expense A — 36

Nov	30	Balance		415 44					
Dec	30	Genl Exp Sundr	J170	50 65					
				466 09					

General Expense B — 37

Nov	30	Bal		107 94					
Dec	30	Genl Exp. Sundr	J170	12 66					
				120 60					

Genl Expense C — 38

Nov	30	Bal		125 76					
Dec	30	Genl Expense Sundr	J170	15 82					
				141 58					

Genl Expense D — 39

Nov	30	Bal		181 74					
Dec	30	Genl Exp Sundr	J170	22 17					
				203 91					

Wages A — 40

Nov	30	Bal		1800 23					
Dec	30	Vou Record	S3	212 50					
				2012 73					

Wages B — 41

Nov	30	Bal		460 28					
Dec	30	Vou Record	S3	69 75					
				530 03					

Wages C — 42

Nov	30	Bal		552 34					
Dec	30	Vou Record	S3	75 75					
				628 09					

FIG 41-B

LEDGER ACCTS BEFORE CLOSING BELL & DAVIS. SET 3

Wages D — 43

Date		Fol	Debit	Date		Fol	Credit
Nov 30	Bal		787 60				
Dec 30	Von Recon	P3	100 50				
			888 10				

General Rent, Light & Heat — 44

Date		Fol	Debit	Date		Fol	Credit
Dec 30	Von Recon	P3	103 20	Dec 30	Dept R L & H	J170	103 20

Rent, Light & Heat A — 45

Date		Fol	Debit	Date		Fol	Credit
Nov 30	Bal		692 39				
Dec 30	Gen'l R L & H	J170	51 60				
			743 99				

Rent, Light & Heat B — 46

Date		Fol	Debit	Date		Fol	Credit
Nov 30	Bal		179 12				
Dec 30	Gen'l R L & H	J170	12 90				
			192 02				

Rent, Light & Heat C — 47

Date		Fol	Debit	Date		Fol	Credit
Nov 30	Bal		210 35				
Dec 30	Gen'l R L & H	J170	16 13				
			226 48				

Rent, Light & Heat D — 48

Date		Fol	Debit	Date		Fol	Credit
Nov 30	Bal		302 93				
Dec 30	Gen'l - R L & H	J170	22 57				
			325 50				

Bray Consignment acct — 50

Date		Fol	Debit	Date		Fol	Credit
Dec 17	Von Recon	P3	5 40	Nov 30	Bal		52 74
Dec 30	Bal		55 89	Dec 21	Cash	302	8 55
			61 29				61 29
				Dec 30	Bal		55 89

Fig. 41C — Gen'l Ledger Accounts Before Closing. Bell & Davis — Set 3.

Bell & Davis (set 3)
Trial Balance Dec 30-1916 - Before Closing.-

Fol.								Fol.							
						DEBIT								CREDIT	
3	Robt Bell Private a/c					50	00	1	Robt Bell Capital a/c			5000	00		
5	Real Estate					750	00	2	C. L. Davis " "			10000	00	6000	00
6	Dray Stock			465	00			8	Bills Payable					150	00
7	Furniture & Fixtures			780	25	1245	25		Vouchers Audited					201	45
10	Cash					721	04		Sales A			15163	18		
11	Bills Receivable					114	00		" B			2347	60		
20	Stock A			1285	38				" C			4567	84		
21	" B			3257	12				" D			6831	13	30025	80
22	" C			3775	28				Discount				30		
23	" D			5474	68	2536	44		Dray Consignment a/c			55	47	92	49
31	Insurance			38	94										
32	Taxes			7	60										
33	Interest				75	46	69								
36	Gen'l Exp. A	466	09												
37	" " B	120	60												
38	" " C	141	58												
39	" " D	203	91	932	18										
40	Wages A	2012	73												
41	" B	530	03												
42	" C	628	09												
43	" D	888	16	4058	95										
45	Rent & Heat A	743	99												
46	" B	192	02												
47	" C	226	48												
48	" D	325	50	1487	99	6479	12								
*	Accts Receivable					2672	20								
						37441	74							37441	74
	(* see Fig 27)														

Fig. 42 — Trial Balance Before Closing

Pay Roll

Position &c	Names	Weekly		Department A		Department B		Department C		Department D	
Manager	Robt Bell	25	00	15	00	1	50	2	50	6	00
Ass't Manager	C L Davis	15	00	9	00	1	50	2	00	2	50
Salesman	A Decker	10	00	4	50	1	50	2	00	2	00
"	B Deland	8	00	6	00					2	00
"	Mrs Begnan	7	50			3	75	3	75		
Bookkeeper & Teller	C Denny	8	00	2	50	1	50	1	50	2	50
Nary Boy	D Devoy	4	00	2	00		50		50	1	00
Driver of wagon	E Dix	7	00	3	50		50		50	2	50
	Total	84	50								
	Department			42	50	10	75	12	75	18	50

Fig. 39 — Pay Roll

CHAPTER XV

Closing Books for the Month

SALES BOOK footed in ink and total posted to credit of General Sales in ledger. (Figs. 35 and 41B, pages 128 and 133) $2,226.10

Cash Book — " Cash sales " posted to credit of General Sales. (Figs. 32 and 41B, pages 93 and 133) 1,187.90

" " " Interest Paid," total posted to debit of interest account. (Figs. 32-41B, pages 93 and 133) .75

" " " Vouchers Aud.," total posted to debit of Vouchers Aud. (Figs. 33-41A, pages 127 and 132) 2,738.56

" " " Discount Rec'd," total posted to " Credit Disct." (Figs. 33-41B, pages 127 and 133) 36.60

" " Cash Received, total $3,573.00, less $817.60, balance to debit " Cash Acct." (Figs. 32-41A, pages 126 and 132) 2,755.40

" " Cash paid out, total posted to credit "Cash." (Figs. 33-41A, pages 127 and 132) 2,851.96

" " Carried cash, " Bal. on hand," forward to Jan. 1. (Fig. 32, page 126) 721.04

Balanced cash, counting contents of drawer..... $20.00
Balance in bank 701.04
——— $721.04

Compared Vouchers unpaid per Voucher Record (Fig. 28, page 130) with balance ledger acc., " Vouchers Aud." (Fig. 41A, page 132) 241.45
and found as yet unpaid —
Voucher 22, favor Edgar Dry Goods Co... $173.32
Voucher 23, favor Ely Shoe Co..... 67.93
$241.45

Closed "General, Rent, Light and Heat," $103.20, into Departments (Journal Fig. 34, page 129) in ratio agreed at beginning of year,

A 1/2 of balance, $103.20	$51.60	
B 1/8 of balance, $103.20	12.90	
C 5/32 of balance, $103.20	16.13	
D 7/32 of balance, $103.20	22.57	
		103.20

Closed General Expense into Departments General Expense. (Fig. 34, page 129.)

A 1/2 of balance, $101.30	$50.65	
B 1/8 of balance, $101.30	12.66	
C 5/32 of balance, $101.30	15.82	
D 7/32 of balance, $101.30	22.17	
		$101.30

Sales for month,

Charge sales. (Fig. 35, page 128)	$2,226.10	
Cash sales. (Fig. 32, page 126)	1,187.90	
		3,414.00

distributed on segregation sheets. (Figs, 36, 37, pages 128 and 129.)

Crediting results to

" Sales Dept. A "	$1,784.74	
" " B "	451.68	
" " C "	462.25	
" " D "	715.33	
		3,414.00

by Journal Entry (Fig. 34, page 129)

and will take off " Before Closing Trial Balance," or trial balance after all month's work is in, to prove the books — before closing entries are made.

The reason we take off the Before Closing Trial Balance at end of the fiscal year is not only to prove by balancing that the accounts have all been properly entered, but also to facilitate transferring of the correct balances, which would prove a tiresome and difficult task to do otherwise, and tax the ability and patience of any one who attempted it.

CHAPTER XVI

Closing for the Year

WE debit General Expense (see Journal Entry, Journal p. 171, Fig. 43, page 140), $238.10.

To Dray Stock depreciation, 20%.

To Furniture and Fixtures depreciation, 10%.

Taxes balance used up.

Insurance used up.

Balance of interest paid for year.

Reserve for bad debts 2% on outstandings

and then,

Close General Expense in proportion outlined (Journal 171, Fig. 43, page 140), $238.10, into General Expense, A, B, C and D.

Bell is credited interest on his capital, $5,000.00	$300.00
Davis is credited interest on his capital, $1,000.00	60.00
and Profit and Loss debited	$360.00

Trading Account. (See Fig. 46, page 144.)

To have a clear-cut statement of results in trading, or buying and selling goods, we open a Trading Account, and, as the inventory is now all figured, we can do so.

"Trading Account" is only a convenient account, used once a year, or when we close the books, though some bookkeepers use it frequently.

We close Dept. Sales A, B, C and D, by crediting these to Trading Account. (Fig. 43, page 140.)

We close Dept. Stocks A, B, C and D by charging these to Trading Account. (Fig. 43, page 140.)

We close Dept. Wages A, B, C and D by charging these to Trading Account. (Fig. 43, page 140.)

We close Dept. Rent, Light and Heat A, B, C and D by charging these to Trading Account. (Fig. 43, page 140.)

We close Dept. General Expense A, B, C and D by charging these to Trading Account. (Fig. 43, page 140.)

Then, taking the figures of the inventory of goods on hand of each department, charge these, Stock A, B, C and D, the respective amount (Fig. 43, Journal) and credit Trading Account (Fig. 46, page 144) because Trading Account gives back the stocks to those departments with which they can commence the year, to use for sales.

We now take from Trading Account the profit on each department (Fig. 43, Journal), by debiting Trading Account and crediting profit on these departments to Profit and Loss.

(See Trading Account, Ledger, Fol. 19, Fig. 46, page 144.)

And, as the profit shows a credit from Sundry sources of a total net profit, $2,796.25, we apportion five-sixths to Bell and one-sixth to Davis (Journal, Fig. 43), debiting and thereby closing Profit and Loss Account.

The Ledger Account of Trading Account may be arranged by taking a full folio or double page of the ledger and ruling addiitional red lines to accommodate the different departments.

After these entries have been made, we take off a balance sheet (Fig. 50, page 145) which shows the condition of each account on our ledger and with these balances we start the new year's business.

On pages 89 to 102, the entries are shown for set 2, and except that this No. 3 set is departmentized and set 2 is not; the totals are the same.

Set 3 — Bell & Davis Journal — Dec 1916 — 171

Closing Entries

			General Accounts DR	General Accounts CR	Customers DR	Customers CR
		30				
35		General Expense Dr	238 10			
	6	To Bray Stock 20% depreciation on bal $465.5		93 40		
	7	" Furniture Fixtures 10% " " " 780.25		78 03		
	34	" Taxes bal being due in Dec		7 60		
	31	" Insurance amount used for "		5 28		
	33	" Interest- balance of account		75		
	49	" Reserve for Bad Debts 2% on Outstanding of $2672.20		53 44		
		30				
36		General Expense A Dr Its proportion of 238.10	119 05			
37		" " B " " " " 238.10	29 76			
38		" " C " " " " 238.10	36 90			
39		" " D " " " " 238.10	52 39			
	35	To General Expense to close the a/c		238 10		
		30				
12		Profit & Loss Dr	360 00			
	3	To Robt. Bell private a/c 1 year interest 6% on Cap 5000		300 00		
	4	" C. L. Davis " " 1 " " 6% " " 1000		60 00		
		30				
30		Discount Dr balance discounted for year	36 60			
50		Bray Consignment a/c " gain on the 4 " "	55 89			
	12	To Profit & Loss gain		92 49		
		30				
25		Sales A Dr Balance Transferred	15163 18			
26		" B " " "	4343 60			
27		" C " " "	4567 89			
28		" D " " "	6883 13			
	19	To Trading acct		30957 80		
		30				
19		Trading acct Dr	25363 44			
	20	To Stock A balance transferred		12858 36		
	21	" " B " "		3257 12		
	22	" " C " "		3775 28		
	23	" " D " "		5472 68		
		30				
19		Trading Acct Dr	6717 22			
	40	To Wages A balance of this a/c transferred		2012 73		
	41	" " B " " " "		5303		
	42	" " C " " " "		6280 9		
	43	" " D " " " "		5811 0		
	45	" Rent & Heat A " " " "		7439 9		
	46	" " B " " " "		1920 2		
	47	" " C " " " "		2648		
	48	" " D " " " "		3255 0		
	36	" Genl Expense A " " " "		595 14		
	37	" " B " " " "		150 36		
	38	" " C " " " "		178 48		
	39	" " D " " " "		258 20		
		30				
20		Stock A Dr stock on hand per inventory 12/3	22700 05			
21		" B " " " " " "	3433 3			
22		" C " " " " " "	7064 0			
23		" D " " " " " "	5668 4			
	19	To Trading Acct balance transferred		44862		
		30				
19		Trading Acct Dr A Department profits for 1916	12350 1			
19		" " B " " " "	5534 0			
19		" " C " " " "	4659 6			
19		" " D " " " "	8083 9			
	12	To Profit & Loss Total Trading profits		30626		
		30				
		Profit & Loss Dr	2796 25			
		To Robt. Bell private a/c In proportion 5/6 of 2796.25 profits		2330 21		
		" C. L. Davis " " " " 1/6 " 2796.25 "		466 04		

Fig. 43

Robt. Bell Capital Acct (1)

Date			Fol	Debit	Date			Fol	Credit
					Nov	30	Bal		5000 00

C. L. Davis Capital Acct (2)

					Nov	30	Bal		1000 00

Robt. Bell private acct (3)

Nov	30	Bal brought for'd		50 00	Dec	30	Pd. - Int on Capital	J171	300 00
Dec	30	Bal down		2580 21		"	" Profits	171	2330 21
				2630 21					2630 21
					Dec	30	Bal		2580 21

C. L. Davis - private acct (4)

					Dec	30	Pd. Int on Capital	J171	60 00
						"	" profits	171	466 04
									526 04

Real-Estate (5)

Nov	30	Bal		750 00					

Dray & Cart (6)

Nov	30	Bal		465 00	Dec	30	Gen'l Exp - Depreciation	J171	93 00
							Bal		372 00
				465 00					465 00
Dec	30	Bal		372 00					

Furniture & Fixtures (7)

Nov	30	Bal		780 25	Dec	30	Gen'l - depreciation	J171	78 03
							Bal		702 22
				780 25					780 25
Dec	30	Bal		702 22					

Bills Payable (8)

Dec	8	Cash #18	303	150 00	Nov	30	Bal #18		150 00
					Dec	8	Ann'l #19	C 302	150 00

Vouchers Audited (9)

Dec	30	Cash	303	2738 56	Nov	30	Bal		928 20
		Bal		241 45	Dec	30	Voucher Record	83	2051 81
				2980 01					2980 01
							Bal		241 45

Cash (10)

Nov	30	Bal		817 60	Dec	30	Paid in Dec	303	2851 96
Dec	30	Rec'd in Dec	302	2755 40			Bal		721 04
				3573 00					3573 00
Dec	30	Bal		721 04					

Bills Receivable (11)

Nov	30	Bal #76		128 00	Dec	15	Cash #76	302	128 00
Dec	16	Shields #77	J170	114 00					

Profit & Loss (12)

Dec	30	Bell - Int on Cap	J171	300 00	Dec	30	Discount -	J171	36 60
	"	Davis " "	"	60 00		"	Bray Cont %	"	55 89
	"	Sundries	"	2796 25		"	Trading a/c	"	3063 76
				3156 25					3156 25

Stock A (20)

Jan	1	Inventory		2218 40	Dec	30	Trading a/c		12856 36
Nov	30	Purchases Since		9981 68					
		Bal Nov 30		12200 08					
Dec	30	Vou Record	83	656 28					
				12856 36					12856 36
Dec	30	Trans'd Inventory to	J171	2270 05					

Fig. 44 — Ledger Accounts

Stock B — 21

Date				Fol.	Debit		Date				Fol.	Credit	
Jan	1	Inventory	415.75				Dec	30	Trading a/c	J	171	3257	12
Nov	30	Purchases since	2666.49		3082	24							
Dec	30	Voucher Record		83	174	88							
					3257	12						3257	12
Dec	30	Trading a/c - Inventory		J 171	343	33							

Stock C — 22

Date				Fol.	Debit		Date				Fol.	Credit	
Jan	1	Inventory	464.61				Dec	30	Trading a/c	J	171	3775	28
Nov	30	Purchases since	3111.22		3575	83							
Dec	30	Vou. Record		83	199	45							
					3775	28						3775	28
Dec	30	Trading a/c Inventory		J 171	706	40							

Stock D — 23

Date				Fol.	Debit		Date				Fol.	Credit	
Jan	1	Inventory	869.04				Dec	30	Trading a/c	J	171	5474	68
Nov	30	Purchases since	4282.84		5151	88							
Dec	30	Vou. Record		83	322	80							
					5474	68						5474	68
Dec	30	Trading a/c - Inventory		J 171	866	84							

Sales A — 25

Date				Fol.	Debit		Date				Fol.	Credit	
Dec	30	Trading a/c		J 171	15163	18	Nov	30	Bal			13378	44
							Dec	30	Sales for Dec	J	170	1784	74
					15163	18						15163	18

Sales B — 26

Date				Fol.	Debit		Date				Fol.	Credit	
Dec	30	Trading a/c		J 171	4343	60	Nov	30	Bal			3891	92
							Dec	30	Sales for Dec	J	170	451	68
					4343	60						4343	60

Sales C — 27

Date				Fol.	Debit		Date				Fol.	Credit	
Dec	21	Stolly - returned goods		J 170	2	00	Nov	30	Bal			4107	64
	30	Trading a/c		171	4567	59	Dec	30	Sales for Dec	J	170	462	25
					4569	59						4569	59

Sales D — 28

Date				Fol.	Debit		Date				Fol.	Credit	
Dec	30	Trading a/c		J 171	6883	13	Nov	30	Bal			6167	80
							Dec	30	Sales for Dec	J	170	715	33
					6883	13						6883	13

General Sales — 29

Date				Fol.	Debit		Date				Fol.	Credit	
Dec	30	Department Sales		J 170	3411	00	Dec	30	Cash Sales	C	302	1187	90
									Charge Sales	SB	47	2223	10
					3411	00						3411	00

Discount — 30

Date				Fol.	Debit		Date				Fol.	Credit	
Dec	30	Profit & Loss		J 171	36	60	Dec	30	Cash rec'd in Dec		303	36	60

Insurance — 31

Date				Fol.	Debit		Date				Fol.	Credit	
Nov	30	Bal			8	34	Dec	30	Gen'l Exp - proportion for Dec		J 171	5	28
Dec	1	Vou. Record		83	30	00			Bal			33	06
					38	34						38	34
Dec	30	Bal			33	06							

Taxes — 32

Date				Fol.	Debit		Date				Fol.	Credit	
Nov	30	Bal			7	60	Dec	30	Gen'l Expense	J	171	7	60

Interest — 33

Date				Fol.	Debit		Date				Fol.	Credit	
Dec	30	Cash in Dec		302		75	Dec	30	Gen'l Expense	J	171		75

Fig. 45 — Ledger Accounts

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Genl Expense Sundries

DATE			FOL	DEBIT		DATE			FOL	CREDIT	
Dec	30	Vou Record	83	101	30	Dec	30	Departments	J 171	101	30
	"	Sundries	J 171	238	10		"	"	"	238	10
				339	40					339	40

36

General Expense A

Nov	30	Bal		415	44	Dec	30	Trading acct	J 171	585	14
Dec	30	Genl Ex Sunds	J 171	50	65						
	"	" "	"	119	05						
				585	14					585	14

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General Expense B

Nov	30	Bal		107	94	Dec	30	Trading acct	J 171	150	36
Dec	30	Genl Exp. Sunds	J 171	12	66						
	"	" " "	"	29	76						
				150	36					150	36

38

General Expense C

Nov	30	Bal		125	76	Dec	30	Trading acct	J 171	178	48
Dec	30	Genl Exp. Sunds	J 171	15	82						
	"	" " "	"	36	90						
				178	48					178	48

39

General Expense D

Nov	30	Bal		181	74	Dec	30	Trading acct	J 171	256	30
Dec	30	Genl Exp Sunds	J 171	22	17						
	"	" " "		52	39						
				256	30					256	30

40

Wages A

Nov	30	Bal		1800	23	Dec	30	Trading acct	J 171	2012	73
Dec	30	Vou Record	83	212	50						
				2012	73					2012	73

41

Wages B

Nov	30	Bal		460	28	Dec	30	Trading acct	J 171	530	03
Dec	30	Vou Record	83	69	75						
				530	03					530	03

42

Wages C

Nov	30	Bal		552	34	Dec	30	Trading acct	J 171	628	09
Dec	30	Vou. Record	83	75	75						
				628	09					628	09

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Wages D

Nov	30	Bal		787	60	Dec	30	Trading acct	J 171	888	10
Dec	30	Vou Record	83	100	50						
				888	10					888	10

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General Rent Light & Heat

Dec	30	Vou Record	83	103	20	Dec	30	Departments	J 171	103	20

Fig. 48 — General Ledger Accounts After Closing — Continued — Set 3

Trading Account

19

A

Dec 30	Stock A	J171	1285636	Dec 30	Sales A	171	1516318
"	Wages "	171	201273	"	Inventory "	171	227005
"	Rent Lt "	171	74399				
"	Gen'l Exp "	171	58514				
"	Profit "	171	123501				
			1743323				1743323

B

Dec 30	Stock B	171	325712	Dec 30	Sales B	171	434360
"	Wages "	171	53003	"	Inventory "	171	34333
"	Rent Lt "	171	19202				
"	Gen'l Exp "	171	15036				
"	Profit "	171	55740				
			468693				468693

C

Dec 30	Stock C	171	377528	Dec 30	Sales C	171	456789
"	Wages "	171	62809	"	Inventory "	171	70640
"	Rent Lt "	171	22648				
"	Gen'l Exp "	171	17848				
"	Profit "	171	46596				
			527429				527429

D

Dec 30	Stock D	171	547468	Dec 30	Sales D	171	688313
"	Wages "	171	88810	"	Inventory "	171	86684
"	Rent Lt "	171	32550				
"	Gen'l Exp "	171	25630				
"	Profit "	171	80539				
			774997				774997

Fig. 46

Trading account when made to show department results may be arranged as above, using one or perhaps two pages of the ledger.

The rulings show each department distinguished from the other and yet all in the same group.

If preferred Trading Account may show greater detail — say Invoice cost of goods, freight, greater classification of expenses, Insurance, Discount, etc.

Special Trading Accounts may be prepared for certain ventures and used for a variety of purposes.

A knowledge of the principles involved will enable a bookkeeper to prepare a complete statement showing the different factors or elements of the transaction.

Rent Light & Heat A — 45

DATE			FOL	DEBIT		DATE			FOL	CREDIT	
Nov	30	Bal		692	39	Dec	30	Trading Acct J	171	743	99
Dec	30	Genl Rent L&H J	171	51	60						
				743	99					743	99

Rent Light & Heat B — 46

Nov	30	Bal		179	12	Dec	30	Trading Acct J	171	192	02
Dec	30	Genl Rent L&H J	171	12	90						
				192	02					192	02

Rent Light & Heat C — 47

Nov	30	Bal		210	35	Dec	30	Trading Acct J	171	226	48
Dec	30	Genl Rent L&H J	171	16	13						
				226	48					226	48

Rent Light & Heat D — 48

Nov	30	Bal		302	93	Dec	30	Trading Acct J	171	325	50
Dec	30	Genl Rent L&H J	171	22	57						
				325	50					325	50

Reserve for Bad Debts — 49

						Dec	30	Genl Expense J	171	53	44

Bray Consignment Acct. — 50

Dec	17	Vou Record	83	5	40	Nov	30	Bal		52	74
	30	Profit & Loss J	171	55	89	Dec	21	Cash	302	8	55
				61	29					61	29

Fig. 49 — General Ledger Accoounts After Closing — Set 3

Bell & Davis

Dr. Balance Sheet December 30th 1916 Cr.

LF	Assets						Liabilities			
5	Real Estate				750	00	1	Robt Bell Capital a/c	5000	00
6	Dry Stock	372	00				2	C. L. Davis Capital a/c	1000	00
7	Furniture & Fixtures	702	22		1074	22	3	Robt Bell private a/c	2580	21
10	Cash				721	04	4	C. L. Davis private a/c	526	04
11	Bills Receivable				114	00	8	Bills Payable	150	00
20	Stock A	2270	05				9	Vouchers Audited	241	45
21	" B	343	33				49	Reserve for Bad Debts	53	44
22	" C	706	40							
23	" D	866	84	4	186	62				
31	Insurance - Unused				33	06				
*	Accounts Recble			2	672	20				
				9	551	14			9	551 14

Fig. 50 — Balance Sheet — Set 3

CHAPTER XVII

Bank Account

THE usual check book has checks and stubs, on which sometimes many unnecessary memoranda and figures are made.

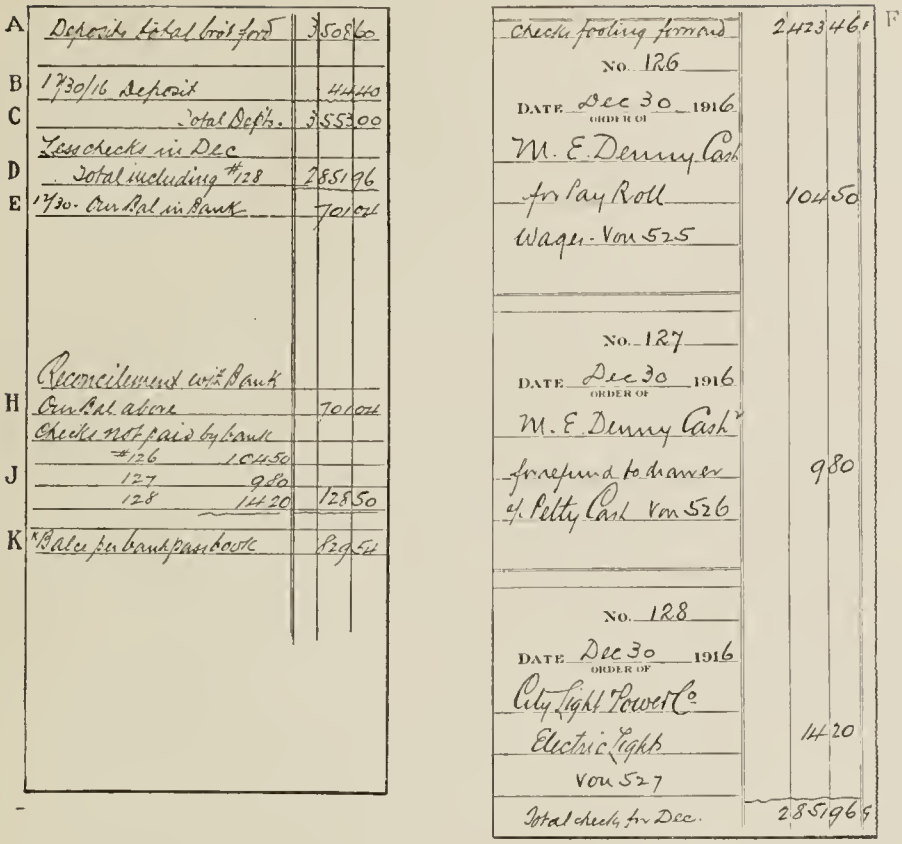
Some enter the deposits on the face of the stub and deduct the check, bringing down the balance just below and over the next check, but the most satisfactory method seems as follows: on the reverse or back of stub and opposite the unused check is placed the balance in bank at the beginning of the month, as shown by your check book.

Take this as a starting point and under it write the date and amount of the next deposit (B), add in pencil and continue adding the deposits, making pencil footings, carrying forward on the same relative side of the stub (A). The penciled footings should at all times agree with the debit penciled footings of Amount Received column of the Cash Book, since we assume that you deposit every cent received.

The checks should all be numbered, as well as the stub. When a check is to be drawn, first write the date, to whose order, for what drawn and the amount. At the close of the day before you can balance cash, pencil footings of checks, drawn since the first of the month, are made on the stub. (Fig. 52F, page 147.) Totals at the bottom of the page or stub (D) are carried forward to the top of the stub on the next page.

As you are supposed to pay all bills by check, these penciled figures of checks drawn should agree with the penciled totals in the Cash Book column, "Amount Paid," to that date. (See Figs. 22-33, pages 93 and 127.)

Continue adding totals of deposits on back of stub (C), and checks on the face of the stub until the end of the month, then carry the total of the checks issued (D) over to and under the total deposits (C) and bring down the balance in ink (E), which is the amount you would have in bank, if all checks have been paid. If the balance as shown on the books of the bank does not agree with your balance, the difference is the checks as yet unpaid. Your pass book should be turned into the bank on the last day of the month to be balanced. When your book is returned you may find that the balance as shown by the books of the bank (K) does not agree with the balance shown by your check book (E), which, as explained above,



Back of Stub FIG. 52 Face of Stub

is the amount of checks that had not then been presented to the bank for payment.

To check up or reconcile your check book with bank, arrange your canceled checks by number, compare with the stubs, and with a blue or red pencil mark with a check (√) those paid.

After checking them all off, turn to the stubs, and, commencing with the lowest number of those unchecked, list those unpaid by number and amount on the back of the stub below the last balance (J), total the checks unpaid and add to the balance as shown by your check book. This last total then should agree with the balance as shown by the bank, if no error has been made.

Now draw two heavy lines on the stub under the last check drawn, to separate those of last month from the present month. The checks drawn for the next month are footed in pencil as drawn, starting with your first checks of current month. The checks of previous month are not included, because each month must be kept separate. The balance as shown by your books (E) is carried forward to back of next new stub

and under it are listed the daily deposits as made and the same procedure as before. Of course, any collection made for you or the proceeds of a discount or loan to you by the bank must be entered on the stub with the deposits, just as if you had made a deposit of that amount. The checks noted as not paid (J) will be paid by the bank during the month and appear among the checks at the next balancing by the bank.

In many large houses the checks are simply in pads of 50, all properly numbered and except the pad in use, are kept safely locked up. There are no stubs to the checks, but the particulars which are usually noted on the stubs are written on the Check Record, which is usually a loose leaf book, of 52 lines to a page and each line numbered. The left-hand page lines are numbered 00 to 49, the right-hand page 50 to 99, and by prefixing the hundred to the figures on the first lines would indicate the number of the check. Thus, 1 before 00 is 100, and before 50 is 150, and no further numbering of that page is needed. The succeeding pages have each its respective prefix.

The pages are usually ruled in columns to show date of check, No. of check, favor of, for what drawn, amount of check, Voucher No., amount of deduction, Date of Deposit, amount and balance.

Thus you have stubs of 50 checks on each page or 100 stubs on a folio page. If the business warrants it and it is once tried no return will be made to the old-fashioned check book.

CHAPTER XVIII

Corporations

AS many of the smaller concerns have become incorporated companies it may be well to touch on the subject.

Thirty years ago there were comparatively few small corporations. Those then in operation were usually banks, railroads and large manufacturers. As the advantages became more generally known, such as limited liability, a continued business which does not terminate with the death of an officer or stockholder, many hundreds of small concerns changed from firms to corporations.

Death Terminates Partnership

In the case of a firm the death of one partner terminates the business unless otherwise specially agreed upon in writing.

A general partner in a firm would alone be liable for all the debts of the business, but a stockholder in all but a few of the States is not liable for the debts of the corporation beyond the amount of the stock he owns; he may lose what he has invested but no more, except in National Banks and certain other special corporations.

The amount of capital contributed to carry on the business is known as Capital Stock, divided into shares of the amount agreed on when the articles of association are drawn up, say $1.00, $5.00, $50.00, or as is usually the case, $100.00 each.

Each stockholder is given a certificate showing how many of these shares he has subscribed or paid for or the proportionate interest he owns in the corporation. According to the State laws there must be at least three stockholders to organize a corporation.

Let us suppose that Bell & Davis have concluded to change their business on January 1, 1917, to a corporation, to be styled the Bell & Davis Mercantile Company, with a capital stock of $6,100.00, divided into 61 shares of $100.00 each, of which

Bell contributes	$5,000.00
Davis contributes	1,000.00
Decker contributes	100.00

for which shares are to be issued,

To Bell, 50 shares, $100.00 each.....	$5,000.00
To Davis, 10 shares, $100.00 each	1,000.00
To Decker, 1 share, $100.00 each	100.00

These certificates of stock may be issued for any amount from one up to the amount owned. Bell may have certificates of 1 share, 2 shares, 20 shares and 27 shares (equals 50), or any other quantities, provided the total is for the actual amount due him and no more.

Shares Are Personal Property

These shares may be disposed of by gift or sale like any other personal property — such as a bond or a horse, the only requirement being to sign the printed transfer on the back of the certificate before parting with it. Title to the horse passes by delivery, title to real estate by deed, and in either case only the title really owned can be given. In the case of the horse as well as the real estate, the seller must satisfy the buyer as to his title. The title to a certificate can be quickly and easily verified by consulting the office of the corporation where a record is kept of the name, address, number of the certificate and number of shares owned by each stockholder.

This certificate is for a certain number of shares of equal parts of the capital stock and is simply the evidence of the stockholder's interest in the company.

The amount of that certificate in dollars and cents cannot be withdrawn at will from the capital of the corporation, as could any part of the capital of a partner in a firm and can only be realized upon, by sale to some one else, or the dissolution of the company and a division of the assets, should any remain.

The capital stock account is one account on the ledger usually carried in one total, but the stock certificate book shows every share issued, the date, to whom, the number of the certificate and the number of shares of each cerificate.

For Example

Three men may wish to buy a horse valued at $200.00, and none of them has sufficient money alone to buy on his own account, yet agree to make the purchase jointly, the revenue from the use of the horse for a term of years to be divided according to the investment of each. Papers are drawn up stating the facts and each receives his document showing his particular interest and conditions agreed upon.

In the meantime, one of the three, who had invested $50.00 in the purchase, becomes dissatisfied at the revenue returns and prefers the cash he had invested, but finds that he can only secure the cash by sale of his interest, as evidenced by his paper or certificate, to some one else.

When he is able to sell, the purchaser takes the paper showing that the interest, duly assigned, to the other two owners, and has a new paper issued showing the interest he now has in the horse is upon same terms as that of the man from whom he bought.

Thus, you see the amount of money invested is not transferred or given, but only the proportion owned, which can be realized in no other way than either selling the interest to some one else or at end of the term sell the horse, if still alive, and divide the proceeds in proportion.

Let us see what entries must be made in the books to change from a firm to a corporation.

As all State laws demand cash or its equivalent, we prefer to use the Cash Book for the entries in the case. No new books are necessary for the corporation, as those which have heretofore been used can be continued after the closing entries have been made, just as entries of one year follow the closing of those of the one passed.

Of course, you use a book of certificates of stock, and if the ledger account of capital stock is not sufficient to record the list, a special stock certificate register is used.

First a bill of sale is made by Bell & Davis to Bell & Davis Mercantile Company of all property and accounts as shown by the balance sheet of December 31st and in that bill of sale a proviso that the corporation as successors will settle all debts as shown by the last balance sheet. A copy of the bill of sale is made in the journal in the first space following the previous year's closing.

Bell draws a draft on the company for $5,000.00. Davis one for $1,000.00, and hands to the Treasurer to pay for the stock to be issued, for, as the firm owed these amounts to both Bell & Davis, the new company assuming the debts, owes them now.

These drafts are entered upon the credit side of the Cash Book.

Cash — Cr. 305

DATE		LED. FOL.			CK NO.	VOU NO.	VOUCHERS AUDITED	SUNDRIES	AM'T PAID	DISCT. REC'D
Jan	1	1	Robt Bell Capital %	Paid his draft				5000 00	5000 00	
	"	2	C. L. Davis " "	" " "				1000 00	1000 00	

Fig. 58

These entries as posted on the ledger to the debit of Bell, $5,000.00, of Davis, $1,000.00, and closes the capital account of each.

The amounts received by draft and currency are entered on the debit side of cash.

304 Dr — Cash

					Cash Sales	Customers	Sundries	Amount Rec'd	Interest Paid
Jan	1		Balance forward	from Dec 30			721 04	721 04	
	"	1	Capital Stock	" Rob't Bell for 50 sh			5000 00	5000 00	
	"	1	do	" C. T. Davis " 10 "			1000 00	1000 00	
	"	1	do	" Decker " 1 "			100 00	100 00	

Fig. 59

These entries on the Cash Book are payments on Capital Stock. Capital Stock Account is then opened in the ledger on page 1, as there is ample space under the now closed account of Robert Bell Capital Account.

Rob't Bell Capital Account — 1

Jan	1	Cash - paid his draft	305	5000 00	Jan	1	Balance from Ledg	16	5000 00

Capital Stock Account

					Jan	1	Rob't Bell 50 Shrs Cap Stock	304	5000 00
						"	C. T. Davis 10 " " "	304	1000 00
						"	Decker 1 " " "	304	100 00
							61		6100 00

Fig. 60

Ledger page showing Robert Bell Capital Account closed or ruled up, and Capital Stock Account opened and two heavy red lines ruled across the page. ×═══════×

Capital Stock Account rarely changes unless there is an increase or decrease, which is the only event.

This account is footed for present in pencil, showing a total to the credit of Capital Stock, $6,100.00.

These two sets of entries complete the change or transaction of Bell & Davis, a firm, to Bell & Davis Mercantile Company, a corporation.

Unless the balance sheet is very long it is advisable to let it be copied on the journal just after the Bill of Sale, being the amounts transferred—the property turned over and the debts to be paid, that there arise no disputes over it in the future.

Pardon personalities, but one day the head bookkeeper of a firm of $200,000 capital called at my office and said the firm would on the 1st of January change from a firm to a corporation and that he had bought new ledgers, cash and sales books, etc., in anticipation, and had been studying the easiest way to rule up the 5,000 and more customers and the other accounts, before transferring or opening them in the new books, but the more he pondered the bigger grew the job and now wanted to know if I could suggest an easier way. I told him in a few words the substance of above and made a pro forma entry in pencil. It is just such cases that suggested going into details and not presuming thorough knowledge in every case.

A proposed corporation has no legal existence and cannot carry on business until it has been granted a charter by the State.

The legal requirements are that three or more persons (stockholders) contributing the capital, must agree on the kind of business to be done and at what place, the amount of capital stock, the number and par value of the shares, etc., and have this agreement, called the Articles of Association, written up in proper form and duly sworn to.

This paper must be recorded at the County Seat and sent to the Secretary of State to be approved by him. Upon approval he issues the charter. Thus you see the State creates the corporation and as a logical deduction has a perfect right to supervise and regulate its own creature, hence the liability to the State for any unlawful acts of the corporation.

As each State has its own corporation laws and the Federal Government has general laws applicable to interstate business, legal advice is necessary on many questions of procedure.

Dividends

The Capital Stock of a corporation corresponds to the Capital Accounts of the members of a firm, but the division of profits is different.

The annual profits of a firm are usually divided proportionally among its members, but the whole, or part, of the profits of a corporation is divided among its stockholders according to their holdings, in the shape of dividends.

Usually a part of the profits is credited to " Surplus " account, to be left, for the time, in the business, and the balance credited to Dividend Account, for distribution among the stockholders, in which case the procedure is as follows:

After ascertaining the amount of net profits, the Board of Directors

meet to consider its disposition and may decide (as would be done if Bell & Davis were a corporation) that,

As the net profits amount to.....	$2,796.25
they will use for dividends.....	1,830.00
and place to the credit of Surplus Fund the balance	966.25

The entry in this case would be,

Dec. 30

Profit and Loss, Dr.		$2,796.25
To dividend No. 1, equals 30% dividend, declared payable	$1,830.00	
To Surplus Fund, balance of profit, 1916, transferred	966.25	
		$2,796.25

As the dividends are paid they are charged "Dividend Account" No. 1, which account will show no balance after all dividend checks have been issued to the stockholders, as dividend checks are charged this account.

No interest on the capital stock other than dividends, is paid the stockholders, as in the case of a firm, in which each member is first credited with interest on the capital he contributed, before any earnings are distributed.

In a corporation the dividends are not only expected to equal a reasonable interest on the capital, but also a further proportion of the earnings, in addition.

CHAPTER XIX

Financial Statements for Creditors

HAVE you ever been requested to furnish a statement of your affairs?

I doubt if any business custom ever had more good reasons to justify it and so few against it and yet none is more generally misunderstood or misconstrued than a request for a statement.

Banks Require References Before Loaning

If you happen to be in some distant city and in need of funds, with no acquaintance there, and should apply to one of the banks for a loan, would it be granted at once without question? or would the banker ask for reference; how you expected to pay it and what is your condition?

Would you not cheerfully explain, not only your financial condition in detail as fully as possible, but tell him with whom you dealt and give such other references and be satisfied that his course is the only good business procedure under the circumstances?

A Sale on Time is a Loan

When you buy from a house with which you had no previous dealings, you ask for a loan of the value of those goods, to be paid at some future date and if that house should simply do as the banker did, is it not acting on proper business lines?

Would you deliver goods on the order of some stranger unless good reasons had first been given?

In either case the buyer or borrower, for that is his position, should by facts and satisfactory references show that he is worthy of the credit asked and the seller on his part, has the right to know whether he is justified in parting with the goods.

No honest man would ask the loan, for that is what it really is, if he doubted his ability to meet it when due.

If a merchant, whose account with some house may be out of proportion or past due, be asked for a statement and promptly complies, he may

not always receive immediate and large advances, but the house in question can and does generally suggest some remedy or reform that proves most valuable and if in good faith complied with, extends very cordial and valuable assistance which bridges the chasm and leads to success.

It may be a caution against continued overbuying, failure to collect up closely the outstanding accounts; or to cut out certain heavy and unnecessary expenses, to install a simple and satisfactory system of bookkeeping or some other remedy justified by the conditions, that is suggested.

Be frank and open with those who are, in fact, first your friends and next your bankers.

True confidence makes no reservations.

When a statement of your affairs is requested send a copy of the last monthly trial balance — such as (Figs. 9, page 45; 19, page 89; 32A, page 125), if during the current year, together with the last annual balance sheet.

If requested during January and February send the previous December balance sheet (as per sample Figs. 29D, page 102, and 50, page 145.)

The following, from a leaflet issued by the National Association of Creditmen, embraces the whole subject in the fewest words of classical English, and should sink deep in the mind of every merchant.

"The Reciprocal Value of a Signed Statement"

"Good credit in the markets of the world enables the merchant to add to his ability to do business. It gives him the use of enlarged capital, thus enabling him to carry a more complete stock, increase his sales and magnify his profits.

Large assets are not always necessary to the creation of credit; what is most desirable is, that *credit* be in *relative proportion* to the *actual assets*, and in harmony with conditions which create and maintain it. *A merchant's capital is the sum of his net available resources plus his credit.* The giver of credit is a contributor of capital, and becomes, in a certain sense, a partner of the debtor, and, as such, has a perfect right to complete information of the debtor's condition at all times.

Credit is given a merchant because of the confidence reposed in him. Requesting a statement when credit is asked is not a reflection on one's character, honesty, or business ability, but is done to secure information to enable business to be conducted intelligently.

When a statement is made it should be absolutely correct. To make it so necessitates the taking of at least an annual inventory and the keeping of an accurate set of books. Statement giving, therefore, will tend to make a debtor a better buyer, because more familiar with his stock, more

careful in giving credit, more conservative in incurring debt, and will result in a better knowledge of his business generally.

A merchant who desires to serve his own best interests should recognize that his most valuable possession, apart from his actual assets, is a sound, substantial and unquestioned reputation as a credit risk, and that, under the prevailing conditions and demands of business, the most effective, and eminently the best way to prove his basis for credit is to be willing to submit a statement of his financial condition."

Guess-work Statement

Among the many unnecessary problems which daily tax the gray matter of the credit man, none is so perplexing as the " guess-work statement " received from some customer who could and should have books, to show an intelligent statement of his condition.

A Case in Point

Instead of that he may possibly come near duplicating the case of a merchant in one of our small towns whom I visited in the matter of his past-due account.

When asked: How much do you owe other houses? He " guessed " about $400, but upon investigation he had unpaid invoices of $1,270.00.

How much is owing you by your customers? He " thought " about $2,000, and our search disclosed memos. of all sizes and shapes — bills of about $1,000.

How much stock on hand? He " judged " it would amount to $3,000, but as it was all in sight I " might make a closer estimate."

When was last inventory taken? None since he started three years ago.

We found on one hook-file dunning letters, unpaid invoices, statements and trade market circulars; on another memos. of bills sold on time, some penciled on scraps of wrapping paper, some on bill heads and a few on old used envelopes.

The paid invoices and receipts were in an old box where they had been tossed as through with.

This was the worst case in my experience, but if you can persuade any old credit man to talk he may recall some very interesting, and as we say, " raw " cases, and let drop his opinion of how dangerous such incompetent, shiftless men are to the merchants of the community.

No system will run itself, but if any merchant desires advice on the subject of improving his present methods he will find a ready response by his wholesale friends and receive most valuable suggestions.

PROPERTY STATEMENT BLANK

RECOMMENDED AND INDORSED BY THE
NATIONAL ASSOCIATION OF CREDIT MEN

THE RECIPROCAL VALUE OF A SIGNED STATEMENT

Good credit in the markets of the world enables every merchant to add to his ability to do business. It gives him the use of enlarged capital, thus enabling him to carry a more complete stock, increase his sales, and magnify his profits.

Large assets are not always necessary to the creation of credit; what is most desirable is, that credit be in relative proportion to the actual assets, and in harmony with conditions which create and maintain it. A merchant's capital is the sum of his net available resources, plus his credit. The giver of credit is a contributor of capital, and becomes, in a certain sense, a partner of the debtor, and, as such, has a perfect right to complete information of the debtor's condition at all times.

Credit is given a merchant because of the confidence reposed in him. Requesting a statement when credit is asked is not a reflection on one's character, honesty, or business ability, but is done to secure information to enable business to be conducted intelligently.

When a statement is made it should be absolutely correct. To make it so necessitates the taking of at least an annual inventory and the keeping of an accurate set of books. Statement giving, therefore, will tend to make a debtor a better farmer, because more familiar with his risk, more careful in giving credit, more conservative in incurring debt, and will result in a better knowledge of his business generally.

A merchant who desires to serve his own best interests should recognize that his most valuable possession, apart from his actual assets, is a moral, substantial and unquestioned reputation as a credit risk, and that, under the prevailing conditions and demands of business, the most effective, and eminently the best way to prove his basis for credit, is to be willing to submit a statement of his financial condition.

NOTE: The above estimate of the value of a statement to both giver and receiver of the credit, is part of the thought and experience of some of the best business men of the United States, who are members of the National Association of Credit Men, and who desire public expression of their views in order that there may be no longer doubt as to both creditor and wholesaler.

Yours of Form B

Fig. 53A

I, for the purpose of obtaining credit now and hereafter for goods purchased, I or we herewith submit to you the following statement of my or our resources and liabilities, and I or we will forthwith notify you of any material change in my or our financial condition.

In consideration of your granting credit to the undersigned I or we agree that in case of my or our failure, or insolvency, or in case I or we shall make any assignment for the benefit of creditors, bill of sale, mortgage or other transfer of my or our property, or shall have my or our stock attached, receiver appointed, or should any judgment be entered against me or us, then all and every of the claims which you may have against me or us shall at your option become immediately due and payable, even though the term of credit has not expired. All goods hereafter purchased from you shall be taken to be purchased subject to the foregoing conditions as a part of the terms of sale.

Firm name Bell & Davis Date Dec 31 19
Town Columbus County State Ohio

ACTIVE BUSINESS ASSETS	Dollars	Cents
Present cash value of merchandise on hand	4186	62
Notes and accounts, cash value	2786	20
Cash in hand 50.00		
Cash in bank 671.00	721	00
Fixtures, machinery, horses and wagons 5% Reserve	1107	28
Total Active Business Assets	8801	16

BUSINESS LIABILITIES	Dollars	Cents
Due for notes, open acct.	741	00
of which $ None, past due		
Due for notes for cash None		
Due bank 150.00 Pledged for Bank		
Owe others for borrowed money 53.00 real None		
Due taxes and rent None		
Mortgages on fixtures, machinery, horses and wagons None		
Total Business Liabilities	1041	89
Net Worth in Business	7759	25
OUTSIDE ASSETS		
Total real estate, assessed valuation, $ 750		
Total encumbrances on real estate, $ None Equity	750	00
Personal property		
Other assets		
Grand Total net worth (or net worth of Business)	8509	25

Please state location and description of each parcel of real estate, and cash valuation of and encumbrances on each and in whose name each parcel is held

Lot on Main St on which we may build store. We paid 750 cash for it & think it worth much more now

What portion of real estate described is homestead? None

Have you any other debts than herein mentioned? No

Full given and surname of each partner	Age?	Married?	Possible liability of such member of firm on indorsers, guarantors, etc.
Robert Bell	41	yes	none
Charles E Davis	30	no	none

What kind of business do you conduct? General Merchandise
Average amount of stock $3500.00 On fixtures, machinery, horses and wagons
On real estate Rent - Vacant lot
Amount of sales last year $6479.00 Amount of expenses last year $3095.00
What proportion of your sales is on credit? 75
How often do you take an inventory of stock? Annually 4/10 Date of last inventory Dec 30th
If you have borrowed money in the business, state what amount is secured and in what way 150.00 from bank on our com. note
Are any merchandise creditors secured in any way? No
Have you any judgments, judgment notes, chattel mortgages, or other liens against you, recorded or unrecorded? If so, describe none
Sales pending and of what nature none
If you have pledged or transferred outstanding accounts or property remaining under your control, state amount thereof and amount received, or to be received, on account of such pledge or transfer We have not done this
Keep bank account with A. N. Bank
What books of account do you keep? Pass Bk. Cash Journal Ledger etc
Buy principally from following firms:

Name	Address	What line of business
Eaton Bro Co	Toledo	
Edgar Dry Goods	"	
Sly Shoe Co	"	
Lima Hat Co	"	

The above statement, both printed and written, has been carefully read by the undersigned, and is a full and correct statement of my or our financial condition as of December 30 191
Firm signature Robert Bell Co (see Figs. 53C)
By whom signed Robert Bell a member of the firm

All questions must be answered, insert ciphers in absence of any amount. When the words "Yes" "No" or "None" will correctly answer the questions, write them in their proper places

Fig. 53B

CHAPTER XX

Mercantile Agencies

SOME merchants resent any request from a Mercantile Agency for a statement, replying that the houses from whom they now buy, know all that is necessary and refuse further information, simply because they have not looked at both sides of the question.

No Mercantile Agency may expect to hold its patronage unless it can promptly furnish its subscribers reliable information from every section.

The completeness of its data depends upon many sources, the opinions of neighbors, the county records where deeds, mortgages and agreements are filed, the reputation of the dealer in the markets where he buys, and particularly his own statements.

These reports based upon such information as may be secured, impartially state those facts, their source and conclusion arrived at, the agency having no interest to do otherwise, as its very reputation rests upon fair and true reports.

Should a request for a statement be refused, the agency has no other course than to draw its own conclusions from what it can indirectly learn, and, as a consequence, the rating then assigned is in nearly all cases below what it otherwise might have been had a statement, corroborated by facts, been furnished.

If all the larger concerns cheerfully comply, why should you not help the agency to put your case as it should be?

It rests with you, hence do not complain if your rating is below what you had expected.

" Your credit is the most valuable asset you can have, and will stand by you when all else fails.

" Every jobber you order from looks at an agency book before filling the order.

" By all means make the agencies an honest, clean statement upon starting in business, and keep it up each year.

" No business is ever too small nor grows too large to be indifferent to its credit."

CHAPTER XXI

Insurance

THE following from a leaflet issued by the Fire Insurance Committee of the National Association of Creditmen is so clear and convincing that anyone who reads should heed it without a moment's delay.

" To you as a fair-minded business man, I desire to put two simple questions which in self-interest you cannot put off answering:

Is your property so insured that in case of its destruction by fire you could pay dollar for dollar to your creditors?

Again, in case of fire upon your premises would your savings, perhaps of a lifetime, be safeguarded by enough and sound insurance to keep them intact?

If you cannot give me an emphatic " yes " as your answer, then you are taking longer chances than anyone has a right to take.

It may be that you, like hundreds of other business men, consider yourself comparatively free from danger of fire loss, because, perchance, your town or city has thus far escaped a scorching, a fact that is more likely due to good fortune than to any inherent advantages, for conditions similar to those all about you have contributed again and again to widespread and disastrous fires.

You owe it to yourself, your family and your creditors to surround your business with safeguards that will reduce to a minimum your chances of being embarrased by a fire which may begin in your premises, or perhaps in the premises of a fellow townsman several blocks away. *This means not only insurance but adequate insurance.*

In most lines, stocks are larger in certain periods of the year than others, so with changes in the value of your stock, do not overlook changing the amount of your insurance.

To take a chance with your insurance is not business. It is just as important to charge into the selling price of your goods the cost of insurance as rent or interest or taxes.

No one can afford to sell you on time or lend you money if you are not fully insured, for your ability to pay when the debt is due would be destroyed by fire and your creditors in that case would find that they had

been your insurers without the compensation which a prudent insurance company would have charged for the service.

Insure, and do it now — otherwise your assets to-day may be cinders to-morrow."

List Policies Carried

Many insurance companies furnish a register in which the policies are listed, giving date of issue, number, company, property covered, amount of policy, term or expiration, rate and amount of premium, etc. If only a few policies are carried, the description space in the insurance *ledger account* may be used to briefly note property covered such as stock, machinery, buildings, etc., and the date of expiration on the line of the debit when premium is charged. Of course, the expiration is always noted on the diary among the matters for attention that day.

The following article, written some ten years ago for the National Association of Credit Men by my very good friend, Geo. R. Barclay, states the case beyond any question of a doubt.

It was sound when written, is equally sound now and will be so considered, should it fall into the hands of any merchant, long after both he and I have laid aside the cares of this busy life.

By Geo. R. Barclay, Simmons Hardware Company, St. Louis, Mo.

"No one doubts the truth of the old saying: 'Self preservation is the first law of nature,' and I think it follows in natural sequence that, after self, a man's worldly goods should claim his best efforts for their protection. There are not many merchants who are so fortunate as to be in a position to assume all the responsibilities connected with their business, neither would it be wise for them to do so, being able.

Every man owes it to himself, his family and his creditors to so surround his business with safeguards as will reduce to a minimum his chance of being embarrassed — possibly hopelessly so — by reason of fire, which may have had its origin far from his place of business and in no way chargeable to himself.

The item of fire insurance is a legitimate item of expense to every well-organized business, and my experience is that the large majority of our business men appreciate the fact. While I am free to admit that under some conditions the rate charged by insurance companies seems high, there are good reasons for this; for instance, frame structures in localities without improved fire department apparatus, etc. Where the risk is greatest the people who take the risk are entitled to some consideration and could not be expected to make a low rate on what is known as a hazardous

risk. The law of average and competition keeps insurance rates at a reasonable basis.

The merchant who does not carry insurance will find his credit restricted; and so it should be. Manufacturers and jobbers who place their goods in the hands of the retail merchant cannot be expected to assume the liability of loss by fire in addition to the legitimate risk carried by all concerns selling on credit basis. It should be a patent fact to all merchants asking credit favors that it is their duty to protect those who extend them credit and who aid them in other ways to make a success of their enterprises."

In many cases, where merchants have suffered a total loss by fire, it has developed at a later date, when these same parties were trying to make a new start and asking aid from the jobber and manufacturer, that the matter of fire insurance had never been properly brought before them, and it was due to ignorance on their part rather than intention that they had not availed themselves of the protection offered by the insurance companies."

CHAPTER XXII

Trade Acceptances

FOR generations business in Europe, by means of trade acceptances, has been done in such a satisfactory manner, that our greatest economists have, for years, advocated the establishment of a Central Bank in this country, modeled on the lines of those abroad, but with advantages adapted to our own needs, securing the benefits of sound credit, without in the least disturbing terms and time of payment of obligations.

Federal Reserve Bank

After full investigation by competent committees, and public discussion and conference by every element of business, the Federal Reserve Bank was authorized, and, since beginning operations, has had only the most favorable endorsement and criticism from all quarters.

One of its most important functions, for the benefit of general business and a remedy for any threatened panic, is discounting Trade Acceptances.

Trade Acceptances Described

A Trade Acceptance is simply a draft drawn against a shipment of goods, payable at the usual date on which the invoice would regularly be due.

Sometimes the goods are shipped direct to the buyer, sometimes on an order Bill of Lading.

Example

If you are an old customer and bought a bill, say of hardware, which by terms of sale was due and payable in sixty days from date of shipment, with the privilege of deducting 2 per cent within ten days from date, the seller would ship you the goods and mail you the invoice or bill for same accompanied by the Bill of Lading or shipping ticket. He would send with these papers a trade acceptance or draft drawn on you for the amount of the bill, due sixty days after date, payable to the order of the shipper, with request to accept same by writing your name across the acceptance, with date and place at which you wished draft presented for payment when due.

He may also remind you that you have the privilege of discounting the bill, in which case you simply send him exchange for the net amount or the bill less the discount.

If you are a new customer you may agree to have the goods shipped "Shipper's Order." In this case the goods are so shipped — the invoice sent you — the acceptance for amount and terms of sale is attached to the Bill of Lading and sent to some bank in your town with request to present same to you for acceptance.

If you accept the draft by signing your name in proper place and filling in the date and place at which you wish to have it presented for payment when due — the bank will hand you the Bill of Lading attached — on which you can get the goods.

When sending the draft the seller usually notifies the bank of terms of discount to be allowed if paid within the time, usually ten days, and to accept the amount of the draft less the discount stated, and then deliver the documents on which proper notation of the transaction has been made.

Reason

Your acceptance of the draft does not increase the debt one cent, and only changes it from an open account to one closed by acceptance; the amount in either case to be paid when the debt is due.

The seller is relieved of the burden of advancing large sums to his customers and being obliged to await their convenience in paying it back.

A bill of goods, sold on time, is the same as advancing that much money or granting a loan for the time stated.

In Europe, practically every bill, sold on time, is settled by a trade acceptance, to the mutual satisfaction of buyer and seller.

Why Should Customer Accept?

The customer should realize that every sale on time is a contract to pay that amount due, at a certain date, and by "acceptance" simply puts in writing his verbal agreement, nothing less, nothing more. If the wholesaler is willing to hand over a part of his goods, which is the equivalent of money, to be paid for at a future date, it is but fair that the retailer should furnish him with a paper, on which a bank would advance the money, with which the wholesaler could pay for the goods parted with, for the wholesaler must also pay his debts.

The customer is not asked to pay one cent of the bill until due, and, as the acceptance is due on the same date that the bill for which it is given would have been due, no favor is asked by the wholesaler.

If you have been favored by a loan of goods, reciprocate by furnishing paper which the seller can use.

For example:

If the Enno Hardware Company ships to Robert Bell & Co. a bill of November 29th for $158.20 — 60/2, and Enno draws a draft as follows:

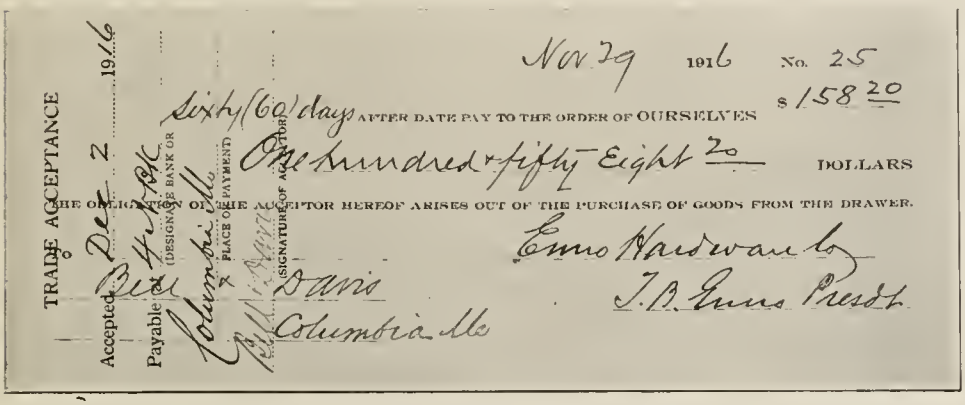

TRADE ACCEPTANCE
No. Dec 2 1916
Accepted Bell
Payable Columbia
(DESIGNATE BANK OR PLACE OF PAYMENT)
Davis
(SIGNATURE OF ACCEPTOR)
Columbia Mo
Nov 29 1916 No. 25
Sixty (60) days AFTER DATE PAY TO THE ORDER OF OURSELVES $158 20
One hundred fifty Eight 20 DOLLARS
THE OBLIGATION OF THE ACCEPTOR HEREOF ARISES OUT OF THE PURCHASE OF GOODS FROM THE DRAWER.
Enno Hardware Co
J. B. Enno Presdt.

Fig. 54 — Trade Acceptance

If goods are shipped "to order," Enno mails the draft to Exchange Bank, Columbia, with instructions to present for acceptance and return, unless Bell prefers to discount same, in which event there may be 2 per cent deducted from face of the draft, which may then be surrendered to Bell, as $155.04 cash and $3.16 discount pays the $158.20.

Entered on the Books

If Bell does not wish to discount, but take full time, the procedure is as follows:

Upon presentation Bell compares amount and date of draft with invoices, notes on invoice "Paid by Acceptance," 1/15, 60/d, No. 25, and on bill book:

BILLS PAYABLE								
Date	No.	Maker or drawer	Favor of	Where payable	Amount	Time	Due	Remarks
Nov 29	25	Enno Hdw Co	Themselves	4th Nat Bk	158 20		Jan 28	Inv. 1/29

Fig. 55 — Bill Book

and across the face of the draft Bell writes "accepted," signs the firm or corporation's name, as the case may be, and dates it.

Bell then returns the draft to the bank messenger and enters on the due date of his diary, or page of January 28th:

"No. 25 — Enno acceptance, 11/29 — $158.20 due to-day."

Journal Entry

He enters on Journal:

——— December 8th ———

Enno Hardware Company, Dr.	$158.20
To Bills Payable:	
For acceptance No. 25, 11/29/60, d/d, in payment for invoice 11/29	158.20

Posting

and,

Posts the entry, debiting Enno on their ledger a/c	158.20
Crediting bills payable	158.20

Bills Payable is credited, because, when a draft is accepted, it is a written promise to pay or a Bill Payable and assumes the debt.

Discounting; Set No. 2

On the other hand, if Bell prefers to discount it, he sends check to the bank for		$155.04
having deducted discount, 2%, per agreement		3.16
to settle the draft, which is handed Bell		158.20
and charges in this case in Cash Book same as (Fig. 22, page 93),		
12/8, Enno Hardware Co. paid acceptance for	$158.20	
put in Amount Paid column	155.04	
put in Discount Received column	3.16	

Same; Set No. 3

or, if using voucher system charge on Cash Book (Fig. 33, page 127),	
"Vouchers Audited," No. 494, Enno "Acceptance"	$158.20
put in Amount Paid column	155.04
put in Discount Received column	3.16

and voucher marked "Paid by Acceptance," and canceled draft pasted to voucher.

If not Paid Until Due

When the acceptance is allowed to run or only to be paid when due, after having made out the voucher, a journal entry is made as follows:

——— December 8th ———

Vouchers Audited, Dr.	$158.20
To Bills Payable.	158.20
Voucher No. 494 settled by acceptance No. 25.	158.20

Enno, 11/29, and voucher marked " Paid by Acceptance " and filed, crediting Bills Payable, because you have shifted the burden of your debt to Bills Payable, and debiting " Vouchers Audited," because that voucher which assumed the debt is no longer responsible for it, since the burden is now assumed by the acceptance which must be paid.

When the acceptance is due, it will be found at the bank to which it was sent for collection, and when paid, is charged on the cash book to "Bills Payable " account, just as any other note paid.

CHAPTER XXIII

Stock Record to Show Purchases, Sales and Stock on Hand

THERE are many elaborate methods of keeping account of the articles bought and sold, also the stock on hand, and a simple one is shown. (Fig. 56A.)

Any loose leaf cover, most convenient for your needs, of a stock size, that sheets to fit may at any time be procured, is suggested.

Columnar sheets are usually kept for sale by all first-class stationers.

If ruled in columns of dollars and cents, use for quantities that portion ruled with unit lines or for dollars and use the cents column for dates. The dates are usually in figures, as 7/2 for July 2nd, 10/15 for October 15th, etc.

In the left-hand corner write the headings or designation, as follows:

First Line, Stock, being stock on hand.

Second Line, Received or Bought, being quantity purchased or received.

Third Line, Total, being amount of *stock,* and quantity *bought,* in one total.

Fourth Line, Sales, being the sales since the last count.

Fifth Line, Stock, being the count of stock, just made.

SOAP LAUNDRY

	XXX		ACME		PRIME		EAGLE	
STOCK	10	1/1	4	1/1	3	1/1	9	1/1
RECEIVED	5	1/27	5	1/16	5	1/27	15	1/20
TOTAL	15		9		8		24	
SALES	9		6		4		17	
STOCK	6	1/30	3	1/30	4	1/30	7	1/24
RECEIVED			7	2/28				
TOTAL			10					
SALES			6					
STOCK			4	2/28				

S

Fig. 56A — Stock Record

And continue this order by writing the same sets of four on the lines all down the page, so that if the page has thirty-three lines, you are prepared to record eight different counts of stock, at eight different dates, for any one of the columns or stock on every fourth line after the first balance.

Starting with the inventory count, enter on the *first line stock* the date and quantity on hand, and when goods are received enter on second line the date and quantity received, then add " Receipts," line 2, the amount of "*Stock*," line 1, writing on line 3 the *Total*, which would be the stock then on hand, if no sales or withdrawals had been made.

On the 5th line, "*Stock*," enter date and quantity of stock now actually on hand or just counted and deduct that amount (the present stock) from the "*Total*" on line 3, putting this difference or Sales, in line 4.

Because if you started with a certain quantity.....	line 1
and add what has been " received since ".....	" 2
the total would be the quantity on hand:.....	" 3
but if you count your stock and deduct that quantity.....	" 5
from the total	" 3
the difference will be quantity used for sales or taken out of stock	" 4

The stock in any one column being for that separate article can be taken and entered independently of; or without conflict with any other column.

Usually goods of same class, but different brands or weights are put on same page in separate columns for the purpose, or may follow on the pages of the same subdivision.

Thus, we had (Fig. 56A),

Stock	10	Boxes	xxxx	Soap	when inventory was taken.
Received	5	"	"	"	on January 27.
Total	15	"	"	"	or stock and quantity received since.
Stock	6	"	"	"	on January 30th, as checked up by one of the clerks, and by deducting 6 from 15 we find that we have sold 9.
Sales	9	"	"	"	We sold between Jan. 1 and Jan. 30, 9; but instead of putting the figure 9, the amount sold, under the 6 on the Stock Record, we place it on the line " Sales " or " Sold."

When a box of soap is opened and contents put on the shelves for sale, we consider that box as having been taken out of stock, so far as the record goes, because we take a box as the unit and do not count the separate cakes or part of the contents of any original package, as it would be end-

less detail, but by taking count only of original packages or cases, the task is light and the results of any one period embraces all the goods sold. The small quantity or the broken packages on hand at the beginning will about equalize the amount at end of the period. If, however, we handle articles which are valuable or bought singly, or wish to check any stock by article, it can easily be done if desired by arranging or listing *by article* on the Stock Record.

Can Order Intelligently

When we know how many cases or packages have been sold in a given time and how many are now in stock, we can regulate our purchases, or contract for supplies to cover a certain period, with much greater accuracy.

Relying on Traveling Salesmen

I have known merchants who not only had no idea of the quantities sold, but did not know their immediate requirements, and when some traveling salesman would arrive, he was asked to "go back and look over the stock and send what you think we need."

In many such cases the salesman's judgment and experience may have been of great benefit, but in others, it might be expressed in the old Arab saying: "Save me from my friends, for they have done me up." You must rely upon your own judgment if you would be successful.

Shows Slow Sellers

The stock record acts as a dragnet to bring to light the "stickers" or slow sellers, the experiments, the goods which fail to repeat and cases of mistaken judgment.

Minimum and Maximum

Many merchants try to fix a minimum or the lowest quantity which must be on hand, and a maximum, or the largest quantity, above which it should never accumulate, and note these figures in the upper corner that the buyer may see when in line.

More Detailed Record

Should the business justify showing every purchase, the article on every sale and the balance at all times, which should be independent of taking stock or count, though capable of easy proof by comparing at any

time with a count of stock, we could have a more detailed record, with special rulings and use a page for each separate article to be traced or watched. (Fig. 56B.)

XXX SOAP				MIN. 4 BXS MAX 10			
IN				BAL	OUT		
DATE	PUR Nº	FROM	QUANTITY	ON HAND	DATE	SHIPPING ORDER	QUANTY
1/1		Inventory	10	10			
				7	1/4	#82	3
				5	8	140	2
				4	17	159	1
				2	22	210	2
				1	25	300	1
1/27	4110	Eaton	5	6			

SOAP LUNDRY

Fig. 56B — Stock Record

The ruling like a ledger has a debit or " goods received " space on the left-hand portion of the page and goods out, or withdrawn from stock, on the right-hand of page and in the center a column for balance or stock now on hand.

In this case the deliveries, or " goods out," are taken from the carbon copies of bills shipped and the balance or difference between receipts, or " goods in " and the withdrawals or " goods out," made daily.

In the space " received from " is usually written the purchase number and sometimes the name of the seller as the " goods received " are entered from the invoices. In space " Order No.," on the credit side, the number of the shipping order, if every article is to be accounted for, or the number of the stockman's report which he issues when original packages are to be accounted for.

This requires a report from the stock clerk whenever a package is opened for supplying the shelves or to be shipped.

If each article of the contents of a case is to be followed the detail is too great for a small business, but can be arrived at by the form. (Fig. 56A, page 168.)

CHAPTER XXIV

House Cost and Price Book

THE majority of merchants rely almost solely upon memory for prices and often pay very dearly for it.

Description

A little loose leaf price book, of a size and capacity depending upon the requirements, with index sheets, is ideal for the purpose, as the sheets are removable and may be inserted where needed and no disappointment result, as in a bound price book, where the estimated apportionment of sheets to any one letter, often proves insufficient.

The sheets usually have four ruled columns, though any other stock ruling could be selected.

Arranging

All articles or classes beginning with the same letter are on one or more sheets just before the index of that letter; thus " soaps " would be just before the index letter " S," " coffee " just before the index " C."

The index sheets are simply guides to separate the others and are never written upon. They should outlast several sets of other leaves. (Fig. 57.)

These four columns are used according to the judgment of the user. Many begin at the left-hand side of the sheet, write the date that there be no question when it was placed there, next the name and description of the article, and

In the *First Column* the invoice cost;

In the *Second Column* the cost and expense in one amount;

In the *Third Column* the selling price in quantities as dozen, case, hundreds, etc.;

In the *Fourth Column* the selling price at retail or for one or a few of the articles.

Others Use

The *First Column* for list price;

The *Second Column* for trade discount;
The *Third Column* for net invoice cost;
The *Fourth Column* for selling price.

If desired leaves of six columns can be purchased.
Similar brands of goods are usually written one below the other.

	Canned Goods.						
	Vegetables -		INVOICE	COST LAID DOWN	SELL CASE	SELL CAN	C
O	Beans -	Eclipse	1 80	2 25	2 50	12	
		Enterprise	182½	228	2 55	12½	
	Corn	Eclipse	180	225	2 50	12	
		Enterprise	182½	228	2 55	12½	
	Tomatoes	Eclipse	2 00	2 50	2 75	12½	
		Enterprise	2 05	2 56	2 80	15	

Fig. 57 — Cost and Price Book

The projecting letter C is the tab on the index sheet which is just behind all pages on which articles begin with C, as

Candies,
Candles,
Canned goods,
Cereals,
Cheese, etc.

To Allow Change in Price

The price book is usually written up in hard pencil to avoid smearing from use and to allow of erasure should the prices change and new prices put in, though many write again the new prices for reference or comparison and draw a light line through the old.

If in doubt about arranging your price book, consult some bright traveling salesman who may have his own price book.

No matter what method you use, a convenient record of cost and selling prices will save you much time, eliminate worry and avoid many useless disputes.

To Guard Against Spoiled or Swollen Goods

Some mark each can or other perishable goods with the date of month and year purchased, in light pencil figures — such as " 6/16," for " June, 1916 " — that they may quickly note how long the goods have been in stock and be guided in disposing of them before deterioration or total loss ensues, especially on canned goods, etc.

CHAPTER XXV

Want Book, or Memo. of Goods Needed

"DO IT NOW" is a quotation staring at us from many signs, and in no case is it more applicable than to note without delay at the time you learn it, that the stock is running short, otherwise a poor memory may prove costly.

Danger of Being Out of Goods

When stock of any article in general demand runs low a slight delay in ordering may result in complete exhaustion of a supply at a most unfortunate time, resulting in dissatisfaction to more than one good customer. You not only lose that sale, but the prompt service of a more far-sighted competitor may be the means of your losing a regular and valued customer.

Instructions to Clerks

Make it a rule that each clerk note the condition and supply of goods he is then selling, whenever they are near the danger line, and write in the "Want Book" the date, articles needed and quantity then on the shelves, and not depend on a memory, which is at all times of a busy day burdened with matters which cannot be so easily jotted down.

Description

Some merchants have a specially ruled book with printed headings for the purpose, but a common grocer's pass book, properly marked in bold letters on the cover, will answer for all practical purposes. Hang by a string in some central location where the clerks may have easy and quick access to it.

If necessary you may have several "Want Books," one for each department. Each book should be so tied that it remains in place, and under no circumstances allow it to be removed until used up.

Watch the Want Book

The manager's duty is to examine regularly, each day, the memoranda

and make note of same. He then usually draws a line through the notations and pencils his initials, as evidence that the matter has received his attention.

Issue positive instructions that this book must be used for the one purpose and have the clerk who makes his notation of wants, give his reasons why goods should be ordered as briefly as if writing a cablegram and *sign* his *name* or *initials,* with date.

The opinion of the man behind the counter may sometimes prove most valuable; he lives with the goods, some proprietors only visit among them.

Ordering

The needed goods are either included in the next order or ordered to be shipped at once, depending upon circumstances. Watching this little book should reduce the cases of " We are just out of it," to a minimum.

Some merchants use a want book with sheets so perforated that they may be easily detached from the stub; others a loose leaf memorandum book, and assemble the used sheets in preparing their orders, preferring this method to that of copying from the want book which must always be in place. These detached sheets are filed for future reference and are valuable evidence of the good or bad judgment shown by the clerk in charge of that counter or department.

When purchases have been made which proved exceptionally fortunate, do not hesitate to promptly and frankly admit it and compliment or commend that clerk for his keen interest in the business and his rare understanding of conditions. Judicious expression of appreciation when deserved is a splendid mental tonic.

Do not use common pads, from which a stray gust of wind may blow a very important memorandum, use a book.

CHAPTER XXVI

Miscellaneous

Trade Papers and Books on Shop-Keeping

THERE are many excellent books on buying and selling, care of stock, deliveries, rules for employees, etc., etc., and hardly a month passes without one or more articles on one of these subjects appearing in the trade papers.

If you are interested in knowing what the other fellow has tried and found suitable to *his* wants, or thinks along the same line you may be investigating, write a letter to some trade journal asking what books and articles are published on that subject and where they may be procured.

Should you begin to investigate, it is almost a certainty that you will not stop at one little book nor be satisfied to "let well enough alone," but will strive to be the best equipped for your chosen profession.

Neatness and Order

There is one little rule that I have seen enforced that somewhere may have been published, but from the condition prevailing in many stores, I think their owners have never seen it mentioned in print.

If you would have the store present the best appearance let the main shelves show that most noticeable condition, of being all in even alignment, not a can or package awry or a line broken.

As the goods are placed in rows of three or four deep on the shelves, they may always show good order, in replacing any one taken down, by moving another from behind and lining it up with the front row.

Let this be done before the clerk turns away from the shelf.

If you have never tried it, one experiment will win you over for all time.

Life is made up of trifles and it is just such trifles as these which leave a lasting impression on a customer.

Neatness is a well-paying investment when dealing with the public, and that condition has more influence with the customer than can be calculated in dollars and cents.

Encourage your clerks to take an interest in your business, not by

preaching as much as by consultation or discussion. Have a suggestion box into which any clerk is invited to drop a note of not only reforms which may occur to him, but ideas which strike him as conducive to increased sales, reparation, economy of time; supplies management, relief hours, displays, pushing certain goods, moving slow stock or stickers, cultivating more cordial relations with certain critical customers, and among his fellow employees. Let these questions be read in full at stated regular periods — omitting the names until placed before the meeting — which may be arranged for a full attendance of your employees, and when displaying merit or excellence, announce the name and let a suitable reward be announced.

When a question is debatable place it before the meeting for discussion and you may find what seems desirable but at the moment impractical, may have a solution from the most unexpected quarter. Such stimulation may turn the tide from an uncertain immediate outlook to one of unexpected improvement and be the beginning of a new era in your affairs. A modest monthly dinner occasionally may work wonders in co-operation and successful management.

Quality and Service

Study the needs of your customers.

Let quality and service be the factors not only to hold the trade you now enjoy, but to quietly, surely and persistently present the evidence which will be spread far and wide by satisfied and appreciative customers.

Loose Leaf vs. Bound Books

Should the volume of any business justify it, every book described herein could, to advantage, be replaced by loose leaf, but should not until you understand how to get the best use of them.

Ask any farmer if he would discard the mowing machine and go back to the scythe.

He will tell you that until he learned what it would not do and what he found it could do well, he hesitated, but when he knew the advantages, its weak points to be guarded against and how to get the most out of it, he hesitated no longer and would never think of going back to the old way.

If you knew nothing about accounts before reading this and can now keep your own books or understand the intricate reports of your business when handed to you, there need be no question what you would reply to any question as to system.

The principles of bookkeeping are absolutely fixed, but the application of those principles can be so varied that they may be arranged to suit

any business — no matter how small, no matter how large; for if a business is worth conducting its results are worth recording, and when properly done should give you an accurate knowledge of the facts at any time.

You will then be in a position to discover any leaks and to apply the remedy, for the more promptly they are discovered, the less the loss.

Avoid " red tape " and never sacrifice necessary details for the sake of brevity.

When planning a system, first consider what information you should have at any future time, and then arrange your books accordingly that the questions may be fully answered in all details without delay or additional labor.

Glossary

Acceptance. "When a draft, due at a future date, is drawn by a seller of the goods upon one who is owing him money, and the Debtor writes across the face of the draft 'Accepted' and signs his name, which is an acceptance of the terms of the draft or promise to pay same on the date mentioned, it is called an acceptance. (P.)"

Account. "A record of transactions by date, description and amount. Accounts may be divided into two classes:

1. *personal* accounts which relate to persons, as John Wilson, Robt. Bell, Eaton Gro. Co.
2. *impersonal* or *general* accounts sometimes called representative accounts, of which the heading or style of the account represents or explains its nature, and this class is divided into
   a. *property* accounts relating to the assets of the business, such as Cash, Merchandise, Real Estate, Fixtures, etc., and
   b. *revenue* accounts, such as Profit and Loss, Surplus, etc., and the debits to revenue, such as Expense, Taxes, Insurance, Wages, Interest, etc. (P.)"

Accounts Payable. "Debts due by the concern to others. (P.)"

Accounts Receivable. "Debts due the concern by individuals, most generally for goods bought and not yet paid for. (P.)"

Adding Machine. "A mechanical adder operated by keys to record each amount and totals of same. The more expensive ones also record date, amount, debit, credit, debit totals, credit totals and either debit or credit balance, etc.

Assets. "Property of any description. (P.)"

Assets may be divided into two classes,

1. that *with* which business is carried on as Real Estate, Dray Stock, etc.
2. that *in* which business is carried on, as Cash, accounts receivable, notes, merchandise, etc.; the former is *fixed*, the latter current. *Wasting* may reduce their value also.
   Fluctuaton may increase or decrease the value. (D.) See Fluctuation.)

Balance. "Difference between a smaller and a larger amount."

Balance of Account. "Usually ledger balance is the difference between two side of an account. (P.)

It is first writtten on the lesser of the two sides to make both sides or total equal, but afterwards brought down to the opposite side, because the balance belongs to the side which is greater. (P.)

D.— Dicksee-Montgomery.
P.— Pittman-Porters.

Balance of Account — Continued.

Credit Balance is the amount by which the credit side of an account exceeds, or is greater, than the debit side. Credit balances are either *liabilities* or gains;

a. if they represent debts due by the concern they are liabilities;

b. if they represent income they are gains. (P.)

Debit Balance is the amount by which the debit side of an account is larger than the credit side. Debit Balances are either assets or losses, ...

a. if they represent property bought by, or debt due the concern by individuals, they are *assets;*

b. if they represent expenses they are losses. (P.)"

Balanced. "An Account is said to be balanced when the totals of both sides agree or are equal. (P.)"

Bills Payable. "Notes given by the Concern distinguished from the accounts, which latter are due on open account. (P.)"

Bills Receivable. "Notes given the concern by others, usually for goods purchased. In such cases the customer's account is credited by the amount of the note and Bills Receivable is debited and when cash is paid on the note, Bills Receivable is then credited. (P.)"

Capital. "The difference between what that business possesses and what it owes, and sometimes separated into two accounts, one called

a. *capital* or the amount which is to be retained in the business, and the other

b. *surplus*, the balance, usually to the credit of Profit and Loss account, which is available for distribution. (P.)"

Capital Expense. "Any amount spent in acquiring assets for the purpose of earning income or increasing the capacity of the business, such as lands, buildings, dray stock, tools, etc. (D.)"

Capital Stock. "In corporations the capital is the capital stock, or amount subscribed or paid by the Stockholders, with which the business is conducted, and the amount appears on the books as a *liability*, because it is a debt owing the Stockholders who contributed it to carry on the business. (P.)"

Carry an Amount Over. "To transfer figures from one book or place to another."

Cash Register. "A machine, provided with keys, by which to register or record any sum received and provided with drawers or compartments, in which money or papers are to be placed. The more expensive kind are also arranged to register sales made by each salesman, for each department, to print a ticket of each transaction, show separate totals of each class, and are adapted for many distinct purposes and businesses."

Cash Sale. "Goods sold for cash in hand."

D.— Dicksee-Montgomery.
P.— Pittman-Porters.

Closing Entries. "The amounts of the various losses and gains transferred from the *revenue* or *expense* accounts to Merchandise, Trading account, Profit and Loss account, etc. (P.)"

Corporation. "In business a number of persons, by law not less than three, associated under the laws of the State to act as one.

As life is uncertain, many proprietors foresee the contingency of death, which in the case of a firm, terminates the business, unless otherwise specially agreed upon, but as a corporation is not affected when an officer or a stockholder dies, we have *incorporated companies,* sometimes termed *joint-stock companies.* (D.)"

Cost. "Flat cost is price paid jobber or seller.

Prime cost is *flat cost plus* expense of laying goods down in store.

Total cost is Prime Cost *plus* the proportion or percentage of all expenses.

Selling Price is Total Cost *plus* the percentage of profits to be secured. (See Profit.)"

Cost Mark. "Any arbitrary set of letters or marks, by means of which any sum or set of figures may be written, legible to the writer or others entitled to know, but not understood by the public.

Thus in a word or phrase of ten letters, numbering each letter from 1 up to 0, if the word *Blackstone* is chosen and B.K.E. is written, we know that B is the first, K the fifth and E the tenth or cipher — and the amount is 150.

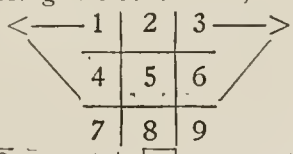
There are thousands of cost marks, some of the more common are

Blacksmith...Cash profit

Honest Play..Only Square

Hustle Fair..Profitable, etc.

Some use hieroglyphics or figures, as two lines crossing two other lines, each compartment representing a figure and X being O.



and written 1 2 3 4 5 6 7 8 9 and ⌋ ⌈ ⌉ × would be 150. The arrangement or order of the figures may be as suits the user, running up and down, instead of across the diagram, but as signs—*right angles,* ± *horizontal* and *perpendiculars* are not so easily memorized as simple words, the latter are generally chosen. + (P.)"

A Credit. "The amount due from some person or account, to another. (P.)"

Credit Balance. "See Balance."

Credit Memorandum or Credit Ticket. "A slip of paper or ticket showing amount due by the concern, *either* for goods returned, in which case the date of return, name for whose credit, the transaction briefly stated and the amount,— or particulars of some other debt."

D.— Dicksee-Montgomery.
P.— Pittman-Porters.
P. × (after) Pittman-Porters.
± Italicized words underscored here.

Cross Entries. "Made either to transfer an amount, or to correct a wrong posting."

Current Assets. "Cash on other property acquired for purpose of sale and conversion into cash. (See Assets.) + (P.)"

Debtor (Dr.). "One who owes money. (P.)"

Debit Balance. "See Balance."

Department Books "show the business done by each Department, the expense of carrying on the business in each, the profit or loss, as the case may be, which results. When results are tabulated, showing totals and carefully analyzed, such as appears out of proportion, may be examined to find the cause and have the remedy promptly applied.

Depreciation "is the gradual decrease in values of an asset, from any cause. It may be a permanent decrease in value, not merely from use but from any other cause. The reason for charging depreciation of assets, is that they may appear in the balance sheet at their true value at that date, otherwise the assets would be overstated and the balance sheet a false statement of affairs. (Also see Fluctuation.) (D.)"

Discount "is an allowance off the price of goods, or off the amount of an account, also the interest deducted when a bank 'discounts' a note. (See Interest.) Cash *discount* is a deduction allowed for a payment to be made, at a date prior to the time when the full amount is due. Trade discount is an agreed amount of discount allowed dealers from the face of the published catalogue price or rate. + (P.)"

Dividend. "A share of the profits of a corporation. + (P.)"

Draft. "An order of one person or firm on another to pay a certain sum of money at a specified time."

Enter. "To write or copy an entry in some book; when carried from another book to the ledger, it is termed posting."

Entry or Entries. "The facts and figures written or to be written."

Fixed Assets. Those assets which it is expected to *keep* in the business for the purpose of earning income or profit, such as store and other buildings, machinery, horse and wagon, etc. (Also see Assets.) ± (D.)"

Fluctuation "is merely the accidental variation, owing to external causes, in the value of certain property owned.

By fluctuation, the cost of fixed assets is affected by the loss or depreciation due to use, and such loss is an expense and should be deducted from the original cost. (See Assets.) (D.)"

Foot. "To add two or more sets of figures and write or check the total amount of same."

D.— Dicksee-Montgomery.
P.— Pittman-Porters.
D ± Dicksee-Montgomery.
P. + Pittman.

Index. "Pages alphabetically arranged, on which the names of accounts and pages on which they may be found, are listed, each under its proper letter in logical order for ready reference. In many smaller ledgers the index consists of the first few pages properly lettered, in other cases the index is a separate book. In loose leaf ledgers no separate index is required, because the leaves are all arranged alphabetically and the sections designated by lettered division sheets."

Interest. "The allowance given by the borrower to the lender for the money lent. **(P.)** "

Inventory. "A list of goods or other property and their values properly totaled. The inventory value of goods is the invoice cost *plus* the freight and carrying charges necessary to place them on the shelves. All other expense is running the business or Shopkeeping Expense, therefore, the inventory should be taken at the *net laid down cost price*, unless the market is *lower*, then, at the latter price. Ignore cash discounts in pricing the inventory, as that amount is not an allowance on price, but premium on cash payment or interest for the use of funds. Trade discounts are, of course, always deducted. (See also 'Cost.') **(D.)** "

To List. "To write in one column several sets of figures or description and amounts, one below the other, to be totaled or added."

Led. Fol. "The page or folio of the ledger to which the entry is posted."

Note. "Used for promissory note — or a written promise to pay a certain amount at a future date."

To Open an Account "write the name of an account in the ledger on a page in the space so reserved and then enter the transaction or post the entry. **(P.)** "

An Open Account. "An account showing a balance. **(P.)** "

On Open Account. "Goods sold to be paid for later and the account not closed by note or other credit. **(P.)** "

Per Cent. "Percentage from the Latin phrase 'per centum,' meaning by or for each hundred or the proportion in a hundred and written %. 5% loss means that 5 parts in every hundred parts are lost, and 95% or 95 parts, the remainder of each hundred, are not lost."

Post. "To write in a book, usually the ledger, the date, description in brief, the number of the page of the book from which these facts are taken and the amount so carried or transferred."

Posting Column. "The column or space set apart in all books of account in which the page number of the book to which you post the entry or from which it is brought."

Price Mark. "See 'Cost Mark.' "

Profit. "*Gross profit* is the difference of amounts paid for goods and the Selling price.

Net profit is what is left after all expenses are paid. **(P.)**

D.— Dicksee-Montgomery.
P.— Pittman-Porters.

Profit — Continued.

The Century Dictionary says of *Net Profit:*

'What remains as clear *gain* to any business after deducting the capital invested in the business, the expense incurred in its management and the losses sustained in its operation.'

Percentage of either profit or expense must not be taken on the cost of goods laid down, but upon the amount of sales, because your investment has been not only the amount paid the manufacturer or jobber for the goods plus the freight, but you have also paid a large amount for carrying on the business. You must remember, therefore, that your investment is the invoice cost together with the freight and a proportion of all other expenses. (P.)"

Profit, continued.

"The proper basis of figuring is upon the total sales as shown by the Trial Balance, before closing, as it is upon that the total profit is made, this being the case it is the amount of the sales that should be taken as the basis on which all profits and expenses are computed in making prices. The common error in marking goods is made by adding a certain percentage based on invoice price instead of the real cost, which is cost laid down plus expense.

Many merchants make this error, and though firmly believing that they are making a handsome profit, really incur a loss. All expense must be paid and true profit only is what remains after all expenses have been repaid. (D.)"

Quick Assets or Current Assets. "Cash and those assets acquired for the purpose of sale and subsequent conversion into cash. (See Assets.) (P.)"

Rule up an Account. "Put in the balance, if any, under the side which shows the smaller total; rule red lines, opposite each other, under both sides of the account; then foot the two sides, bringing down the totals in ink; rule red lines under these totals and bring down the balance. (See Balance.) (P.)"

Returned Goods. "Goods or merchandise bought by a customer and for some reason returned to the concern from which it was bought. In such cases, either cash is returned the customer for amount of goods so returned, or a credit memorandum is given him, to apply as a credit on his account."

Stock. "Used for stock of goods bought and to be used for sales, formerly termed Merchandise. Stock, in Department Stores, is separated by class into departments thus:

A Stock may be Groceries.

B Stock may be Dry Goods, or departments being numbered, 1 may be Groceries; 2, Dry Goods, etc., etc.

D.— Dickseе-Montgomery.
P.— Pittman-Porters.

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